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*Bankruptcy Law Number*

July, 1926

# CRÉDIT MONTHLY

*The National Magazine of Business Fundamentals*

## “The Amendments

(to the Bankruptcy Law)

are supported by reason, justice, and moderation, and with their enactment, the Bankruptcy Law is established more firmly than ever as a permanent factor in the commercial life of the country. Its importance to national business could not be exaggerated.”

*Earl C. Michener*

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### President Coolidge's Letter

TO THE PRESIDING OFFICER OF THE N. A. C. M. CONVENTION

My dear Mr. Baden:

I ask that you will extend to the National Association of Credit Men my greetings and good wishes on the occasion of their convention. With the growth of new methods of business the function of the credit man assumes an added importance and his place is now a vital one in the structure of American business. I trust that your convention will be successful and helpful in its study of this important problem.

Very truly yours,

CALVIN COOLIDGE.

### An Improved Weapon In Credit Managers Hands

By JOHN L. REDMOND

Member of Bankruptcy Law Executive Committee,  
N. A. C. M.

IF THE sole accomplishment of the National Association of Credit Men in the thirty years of its existence were the enactment, defense and amending of the Bankruptcy Law of 1898, the business men of the United States would still be under an incalculable debt to the Association. The fact that this is only one of its activities demonstrates that the National Association of Credit Men is the most potent organization for good in the commercial life of our country.

We cannot and will not rest on this accomplishment. The law will be attacked as it has been in nearly every year of its existence. In some sections, its administration may become lax. But if with this improved weapon at their command, added to the network of investigators our Credit Protection Department has spread over the country, Credit Managers will maintain constant vigilance, we have in our hands complete control of the fraudulent bankruptcy situation.

Important features of the Law are noted by Mr. Montgomery in his article in this issue of the CREDIT MONTHLY. One of the most salutary provisions is the novel one that makes it obligatory for receivers and trustees to report offenses to the United States District Attorney whose duty it will be to investigate the facts.



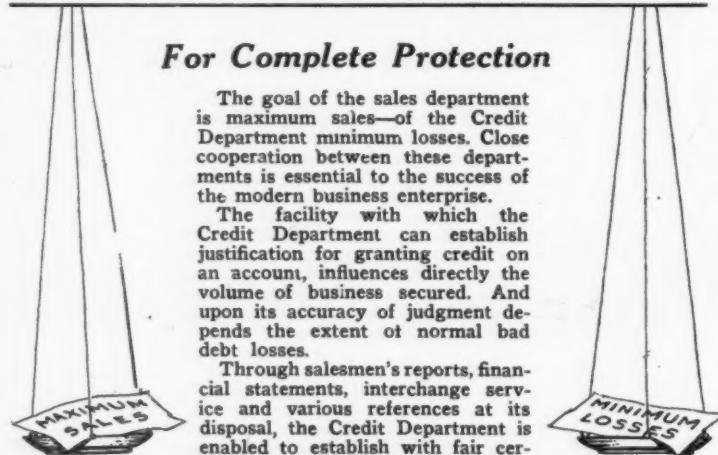
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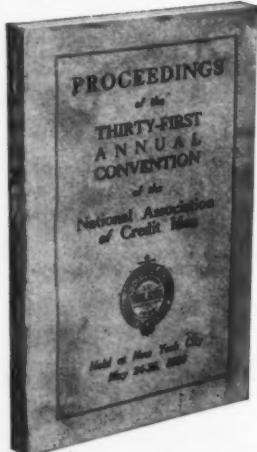
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National Assn. of Credit Men,  
One Park Avenue, New York  
Send me a copy of the 1926 Proceedings.  
One dollar enclosed (Or: Bill me.)

## Aids To Credit Work

THE credit executive, well supplied with information, and endowed with will power and judgment, is still working at a disadvantage if he does not employ those machines and services that will serve best to expedite and facilitate his work.

Approval is therefore given to the plan for an exhibit, in connection with the Annual Convention of the National Association of Credit Men, of machinery and services such as the credit executive can effectively use. At this exhibit the busy credit executive has been enabled speedily and without obligation, to survey the latest developments of instrumentalities for the improvement of the Credit Department.

The above resolution was passed unanimously last month at the Thirty-first Annual Convention of the National Association of Credit Men, and sets the official seal of approval upon the exhibit which was staged by the CREDIT MONTHLY, in connection with the Convention in the Hotel Commodore, New York.

One advertiser in writing to the CREDIT MONTHLY about the exhibit said:

"We appreciate very much the opportunity given to us to exhibit, and were particularly grateful for your very fine attention."

The CREDIT MONTHLY, an extra edition of which was distributed to the delegates at the Convention, came in for special praise from an expert source, namely, Merle Thorpe, Editor of the *Nation's Business*, published by the Chamber of Commerce of the United States at Washington, who made an address to the Convention on the subject of "The Value of an Official Journal to an Organization."

# CREDIT MONTHLY

THE NATIONAL MAGAZINE OF BUSINESS FUNDAMENTALS

(Member, Audit Bureau of Circulations)

Editorial and Executive Offices, One Park Avenue, New York

Rodman Gilder, Editor

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## N. A. C. M. Officers and Directors 1926-1927



J. FRANK WOOD  
Richmond

Treasurer of the Richmond Dry Goods Co., Richmond. J. Frank Wood was born at Bristol, Tenn., and first worked there as a bank clerk. Mercantile agency service claimed him next, at Knoxville and Atlanta. Since 1917 he has been Treasurer and Credit Manager of the Richmond Dry Goods Company. Mr. Wood attended Richmond College, and is a member of Phi Kappa Sigma and of the Richmond Rotary Club. He spent years of service in Credit Association work. He has served the Richmond Association first as a member, then as President. He has served the National Association as Chairman of national committees. He was re-elected Vice-President, Eastern Division, at the 1926 Annual Convention.



GEO. J. GRUEN  
Cincinnati

President of the Gruen Watch Manufacturing Company, Cincinnati. He was re-elected Vice-President, Central Division, of the National Association of Credit Men after establishing a fine record of achievement in the office during the year 1925-26. Before becoming an officer of the National Association of Credit Men, Mr. Gruen served as a director and had 10 years training in the activities of the organization. It has been said of him: "His reaction to each new order and appointment has been one of increasing effort and achievement. He is a man of the highest integrity, sponsoring and advancing always whatever is good and clean and sound in the business and social life of his city."



FRANK D. ROCK  
Denver

Armour & Co., Chicago. With more than twenty years of experience in credit and credit association work, Frank D. Rock was elected a year ago Vice-President, Western Division, of the National Association of Credit Men, and was re-elected at the 1926 Convention. Long prominent in the credit world in Chicago, Mr. Rock is now located in Denver with Armour & Co., with which concern he has been connected for more than twenty-five years. Standing at all times for the highest principles in credit work, Mr. Rock has contended that terms and discounts should be eliminated from competition and that the whole business world would be improved if every credit executive insisted upon the rigid observance of terms.

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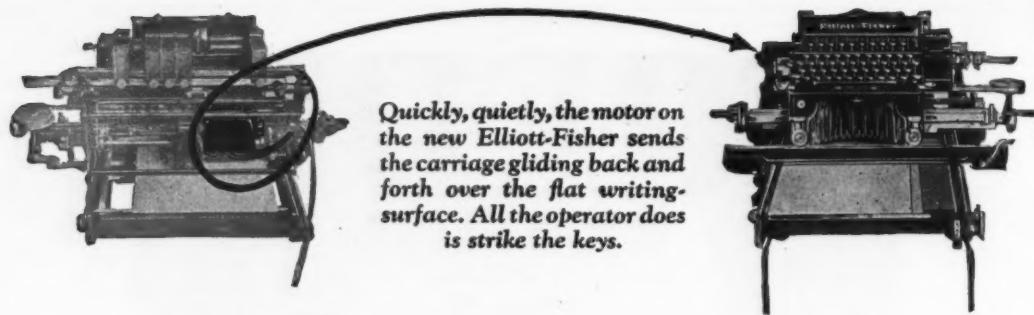
*Dr. W. H. Pouch*

**President, 1926-27, National Association of Credit Men**

WILLIAM HENRY POUCH was born in the city of Brooklyn in 1875. He was graduated from Yale, Sheffield Scientific School, in 1896. After leaving college he went with the Newburgh (N. Y.) Electric Railway Company. Seven years later reorganized this company and became vice-president and general manager of the Orange County Traction Company. During the year 1907 he left Newburgh, N. Y., to become treasurer of the Concrete Steel Company, New York City, and being now actively interested in mercantile credits, took a course in the subject at the Brooklyn Y. M. C. A. There he came in contact with the instructors in the course, including Frank Flagg, A. F. Maxwell, H. Uehlinger and J. H. Tregoe.

He was welcomed into the New York Credit Men's Association, in which he progressed steadily and became president, 1924-1926. He served also as director and vice-president of the National Association of Credit Men and was elected president at New York in May, 1926, at the 31st Annual Convention. He was at the head of the National Association's successful campaign for raising the Credit Protection Fund, and as president of the New York Association he was very active on the general convention committee.

He is president of the Concrete Steel Company and a'so president of Pouch Terminal, Inc. He is treasurer of the First Presbyterian Church, Stapleton, Staten Island, and a 32nd degree Mason and Shriner. For seven months he served during the World War, as business manager of the Paris headquarters of the Y. M. C. A. Recently he was appointed by Mayor Walker on the City Planning and Survey Committee, in charge of providing for the growth of the City of New York.



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## MONTHLY

Vol. XXVIII

JULY - 1926

No. 7

## America's Place in the World

### An Up-to-Date Survey and a Call to Leadership

Summary of Address to Southern States Delegation, May 26, at N. A. C. M. Convention

*By H. V. Kaltenborn*

Associate Editor of The Brooklyn (N. Y.) *Daily Eagle*

**A**MERICA is related to the world, socially, financially, economically, politically. Our social relationship and obligation were emphasized only yesterday by President Coolidge in his admirable address to the Red Cross delegates from foreign countries. We are members of that great international organization which ministered alike to friend and foe during the war and which is carrying on its international work of mercy and helpfulness in days of peace.

Invention and transportation have integrated our planet. Cultural exchange, travel, the progress of science and invention bring us into closer contact with all peoples with every passing week. Day before yesterday it was radio pictures flashed across the Atlantic. Yesterday it was a polar flight that reduced the distance from Europe to America from 3,000 miles to 800 miles. In time and distance London will soon be as close to New York as Chicago. Before long, whenever it is quicker to travel over the top of the world by the North Pole route, instead of around it by the steamer route, we will do so.

Social relationships beget political relationships. While I am speaking to you here official delegates from the United States are participating in international political conferences to settle the three great problems that are now disturbing peace in the three great political divisions of the world.

#### *Political Problems of the World*

The only political problem that clouds the peaceful horizon of the three Americas is the Tacna-Arica dispute. A bitter feud between Chile and Peru over a worthless strip of territory. For half a century this Alsace-Lorraine problem of the New World has been insoluble. I spent some time recently in this disputed district and in both Chile and Peru discussed the difficulty with leaders of opinion. I was amazed to note what deep hostility it had produced. Our country boldly offered mediation. It was accepted and our representatives are now working patiently and persistently to bring about a solution. I feel confident that they will succeed.

In Asia China's future status as a nation gives concern to all the world



H. V. KALTENBORN

for the major powers all have special interests in China which they fear to lose. The United States seeks only to maintain our traditional policy of fair treatment for all nations and special privileges for none. Our official delegates are participating in the great international conference now sitting in Pekin which is seeking to adjust China's relations with other powers, to give the Chinese a larger measure of autonomy, to relieve them from foreign tutelage. America's representatives speak in that conference as friends of China who are in a position to mediate among the other powers whose interests may conflict.

Europe's great problem is disarmament. How to maintain security and peace in that war-torn continent, stirred to its depths by the historic rivalries of thirty peoples. Official American delegates, named by the American President with the approval of the American Congress, are throwing themselves as our official representatives into what is at once the most delicate and the most difficult of all of Europe's post-war problems.

This is happening today as we sit here together, some of us perhaps cherishing foolish notions about the aloofness and isolation of our country. In almost every post-war year I myself have been present at some great international conference dealing with vital political problems in which our country played a dominant part through its official or unofficial representatives. Sometimes I felt like giving thanks that the intelligence of our unofficial observers offset the blindness of our unobservant officials.

These things are going on and we should be conscious of them. Ours is a government by the people and they should know what their government is doing. Let us not be lulled into a false sense of indifference to what is going on in the world because we imagine we have nothing to do with it. We have everything to do with it everywhere. Let America's representatives abroad realize that our people are vitally concerned with what they do and say in our name.

#### *World Standards of Living*

In Boston today they opened a great conference to find out what is the matter with New England. I suppose that you gentlemen from our southern states would agree that the matter with New England is what is not the matter with the South. You have annexed some of New England's manufacturing and some of her prosperity. However there is still enough left to go round and the keynote of that New England conference was "More exports."

Foreign markets will become more important to us with every passing year. It is the low price for farm products prevailing abroad that creates difficulties for our American farmer. He exports only ten per cent. of his crops but that small surplus pulls down the price of all the rest. That is why he demands from Congress artificial price fixing measures that will put him on a plane with the tariff-protected industrialist.

If foreign countries were as prosperous as we are they could pay higher prices for wheat and corn and cotton and wool and the American farmer would get the benefit and he would spread it all over

*(Continued on page 33)*

# The Theory of Value

## Effect of Labor Cost on Value of a Commodity

Seventh Article in the CREDIT MONTHLY'S Series on Economics

By *Bernard Broudy, D. S. M. B. A.*

Assistant to Director, Department of Education and Research, N. A. C. M.

*In order to deal adequately with the various economic concepts of value, both this and next month's article will discuss theories of value. Next month's article, the eighth of the series, will continue with the Cost of Production Theory and Marginal Utility Theory of Value, and will end with a discussion of the Law of Supply and Demand.*

**M**OST economic principles involve in one way or another the concept of value. Value is an ambiguous and much abused term but in Economics it must be consistently employed. So first of all, we must get the meaning clearly defined. Professor Edie, in his recent book on Economics, says:

"In order to be classed as an economic good, an article must have the power to satisfy human wants. This want satisfying power of goods is called their *utility*. The utility of a good indicates the value placed upon the good from the standpoint of its usefulness. The term, '*value in use*', refers to this positive quantity of desirability in any commodity. Value in use is different from *value in exchange*. The latter is the ratio at which goods may be exchanged, and may be defined as the power of a good to command other goods in exchange for itself. The word *value*, as used in value theory, refers to value in exchange. When value in use is the idea to be conveyed, the term *utility* is employed."

Since the exchanges we are constantly engaged in are not usually direct exchanges of goods for goods or services, but are through the medium of money, value is generally measured by the amount of money for which they can be exchanged. Consequently we speak and think usually not of values but of prices. There are certain advantages, however, in keeping to the term "value." We do not speak of a thing having a price unless it is for sale; anything may be said to have a value whether it be for sale or not. Also, prices are not always a true measure of value; a change in price may not mean a change in value.

Economists recognize several different theories of value. From the supply side, there is the Labor Theory, advanced by Adam Smith, Ricardo, and Karl Marx, and the Cost of Production Theory. From the demand side, there is the Marginal Utility Theory. The three theories have a common starting point; they agree to quote Mill, that "the temporary or market value of a thing depends on the demand and supply; rising as the demand rises and falling as the supply rises. But besides their temporary value, things have also a permanent value, or as it may be called, a Natural Value, to which the mar-

ket value after every variation always tends to return." The oscillations compensate for one another, so that on the average, commodities exchange at about their natural value. It is about this normal, permanent, or natural value that the theories differ.

### Labor Theory of Value

The gist of the Labor Theory is that the value of a thing, in the long run, depends on the amount of labor embodied in it. "It is natural," says Adam Smith, "that what is usually the produce of two days' labor or two hours' labor should be worth double what is usually the produce of one day's labor or one hour's labor." The holders of this theory recognize that a commodity must have utility, or use-value, to possess exchange-value, but they cannot see that the utility of a commodity has anything to do with fixing the amount of its exchange-value.

There is undoubtedly a general correspondence between the amount of labor required to make a thing and its value, and competition among sellers tends to beat down value to the cost of production. Ricardo calls capital "saved-up labor," so in that light the cost of production is equivalent to the cost in labor. When an invention saves labor in the manufacture of a thing, the article's value usually falls. The theory is attractive also, because it seems just that the value of a thing should be fixed by the trouble involved in making it. "There are, however," Clay says, "great difficulties in the way of accepting the theory as an explanation of existing values, and its simplicity disappears on closer examination." The chief difficulties apply also to the Cost of Production Theory and will be mentioned later. The one difficulty peculiar to the Labor Theory is the meaning of the phrase "amount of labor."

Like so many of the terms which economics has taken from ordinary speech, "labor" has no single, well-defined meaning. Does the Labor Theory refer only to manual labor? The use to which the theory is sometimes put implies as much. If so, it ignores the labors of organizer and inventor which play a big part in the fixing of values. Again, how do the upholders of the theory compare skilled and unskilled labor? What is their standard? Often the most valuable things are made with the least labor, since they are the work of men of special talent, and in every trade the best workman is the one who can effect the most with the least effort.

Adam Smith attempts to meet this difficulty by saying that these differences are adjusted not by any accurate measure but by the higgling and bargaining of the market. In other words, though the value of a thing depends on the amount of labor in it, the amount of labor with

which we must credit it is settled by the higgling of the market, which means by Supply and Demand. Marx attempts to surmount the difficulty by using the term "socially necessary labor," but he does not get any further. His argument brings us to this conclusion: value depends on the amount of socially necessary labor in a thing, but the amount of socially necessary labor in a thing can be settled only by bringing the thing into the market and seeing for how much of other things it will exchange. In other words, nothing is proved except that Value depends on Value. There is no unit or measure of labor that we can use as a standard of value.

### Trade Group Reports

(See Table Opposite)

**T**WENTY-ONE Trade Group Conferences, held in seven hotels and office buildings in the Pershing Square district, constituted one of the outstanding features of the National Association of Credit Men's 1926 Convention. There were four new groups this year—Confectionery; Cloaks and Suits, and Dresses; Groceries (Manufacturers); and Stationery, Printing and Office Appliances. The total attendance showed an increase of well over 50 per cent. as compared with the 1925 Convention.

At the opening of each Group session questionnaire cards were distributed, covering collections and sales in dollars for April, 1926, as compared with March, 1926, and April 1925; and prospects for business during the coming three months' and six months' periods. The results were announced by the Director of Research at the Friday afternoon convention session May 28, 1926, and about two-thirds of the members present took down the percentages, as read from the platform, and were thus able to take home with them an up-to-the-minute nationwide picture of business conditions and prospects in the leading trades and industries.

The percentages in the twenty-one groups are on the next page.

F.A.F.

# Conditions and Prospects

## As Reported by Trade Groups at N. A. C. M. Convention

By Frank A. Fall, Litt. D.

Director of Education and Research, National Association of Credit Men

Trade Group	No. Reporting	% Better		April, 1926, compared with March, 1926		April, 1926, compared with April, 1925		What are your prospects for Business in next 6 months		
		Stationary	Worse	Collections	Sales in Dollars	Collections	Sales in Dollars	3 months	6 months	
1. Boots and Shoes	34	Better	62	47	38	41	50	50	62	
		Stationary	29	35	32	32	44	38	38	
		Worse	9	18	30	27	6	0	0	
2. Building Materials	13	Better	54	84	23	46	54	46	46	
		Stationary	23	8	46	31	38	46	46	
		Worse	23	8	31	23	8	8	8	
3. Clothing, Cans and Allied Lines	49	Better	51	49	43	47	61	59		
		Stationary	39	29	41	33	35	35	35	
		Worse	10	22	16	20	4	6	6	
4. Confectionery	20	Better	50	65	60	65	60	85		
		Stationary	35	30	15	25	35	15	15	
		Worse	15	5	25	10	5	0	0	
5. Drugs, Chemicals and Allied Lines	39	Better	59	50	77	79	67	85		
		Stationary	31	25	10	13	28	13	13	
		Worse	10	25	13	8	5	2	2	
6. Dry Goods, Notions and Allied Lines	27	Better	59	41	33	41	63	74		
		Stationary	33	15	37	11	37	26	26	
		Worse	8	44	30	48	0	0	0	
7. Electrical and Radio Supplies	23	Better	44	30	56	74	48	87		
		Stationary	39	26	22	9	44	13	13	
		Worse	17	44	22	17	8	0	0	
8. Furniture	11	Better	46	36	36	54	64	73		
		Stationary	27	36	36	18	18	18	18	
		Worse	27	28	28	28	18	9	9	
9. Groceries (Manufacturers)	3	Better	67	67	67	67	67	67		
		Stationary	33	33	33	0	33	33	33	
		Worse	0	0	0	33	0	0	0	
10. Groceries (Wholesalers and Jobbers)	25	Better	64	52	48	56	76	80		
		Stationary	28	32	12	20	24	20	20	
		Worse	8	16	40	24	0	0	0	
11. Hardware, Auto Supplies and Allied Lines	42	Better	64	45	55	43	48	48		
		Stationary	21	19	19	26	43	48	48	
		Worse	15	36	36	31	9	4	4	
12. Heating and Plumbing	26	Better	50	62	35	35	54	50		
		Stationary	38	23	27	46	42	46	46	
		Worse	12	15	38	19	4	4	4	
13. Implements, Vehicles and Allied Lines	8	Better	75	38	38	50	38	50		
		Stationary	0	24	38	25	62	38	38	
		Worse	25	38	24	25	0	12	12	
14. Iron and Steel	20	Better	20	15	20	15	10	15		
		Stationary	60	25	40	45	70	30	30	
		Worse	20	60	40	40	20	55	55	
15. Jewelry	9	Better	44	33	67	67	33	89		
		Stationary	44	44	33	33	44	11	11	
		Worse	12	23	0	0	23	0	0	
16. Newspapers	28	Better	54	89	64	89	64	82		
		Stationary	36	4	32	7	25	18	18	
		Worse	10	7	4	4	11	0	0	
17. Paints and Varnish	25	Better	56	60	40	44	68	50		
		Stationary	36	28	36	32	32	44	44	
		Worse	8	12	24	24	0	0	0	
18. Paper Supplies and Allied Lines	17	Better	47	41	59	47	40	41		
		Stationary	41	18	35	24	30	41	41	
		Worse	12	41	6	29	30	18	18	
19. Petroleum	14	Better	64	86	50	79	86	93		
		Stationary	14	14	21	14	14	7	7	
		Worse	22	0	29	7	0	0	0	
20. Stationery, Printing and Office Appliances	10	Better	50	80	40	80	30	30		
		Stationary	30	10	60	20	60	70	70	
		Worse	20	10	0	0	10	0	0	
21. Cloaks and Suits, and Dresses	4	Better	25	50	25	25	50	0	0	
		Stationary	50	0	50	25	50	38	30	
		Worse	25	50	25	50	0	8	6	
Total	447	Better	53	53	46	55	54	64		
General Average										
Master Average										

Better.....54% Stationary.....30% Worse.....16%  
See comment on preceding page.

# The Credoscope

*J. H. Tregoe*



## Something Progressive in Credit Thought

Conventions are human, and should be progressive events. The vital spark of any practical and useful idea arises from the friction of human thought, and we realize that by himself any man would wither like the leaf before a winter breeze. The convention idea has in modern days grown increasingly popular. Professions, trades and occupations of all kinds are organized for convention purposes. Although it might appear that the idea is sometimes overplayed, yet, if the real purposes of the convention are conserved, it isn't possible for men to mingle and pool their thoughts without useful and progressive results.

The National Association of Credit Men was the child of a convention. There existed in the minds of some people the germ of our association, but it was not brought to fruition and really could not take form until there was a mingling of ideas at the convention at Toledo in 1896. No one can hold the slightest doubt as to the great value of that gathering.

Each year it is the custom of the association to hold an annual convention. To these meetings men and women come from all over the land, and they seldom leave without carrying with them some new and useful ideas.

Unless a convention demonstrates its value and points out clearly some definite and progressive things, the economy and the value of such meetings can sincerely be doubted.

Just now we hold in memory our Thirty-first Annual Convention, held in the City of New York during the week of May 24. The registration at this convention was the largest in our history. The hospitality of New York City as host of the convention was unstinted and genuine. The program was brimming with

instruction, the Trade group conferences were exceedingly interesting. But taken altogether these gratifying events would fail to justify the convention if some points bearing upon the craft of credit were not outstanding and firmly emphasized.

Let us see, therefore, if the New York Convention did direct the attention of the credit fraternity and of business at large to some new truths or some new revelations of old truths. It seems to me that the convention threw upon the screen of our thoughts these strong and practical facts,—

1. It made more evident than ever that we are living in the Credit Age. What does the Credit Age mean to the casual observer? Perhaps nothing. But if the flow of credit were to cease, it would not be possible for us to support our large population and in a very little while, with the crumbling of financial and mercantile enterprises, there would be found distress throughout the land. The Credit Age, therefore, signifies that commerce has become the outstanding feature in the support of society, and that a commerce large enough to sustain our people is carried on through the credit exchanges.

2. The convention plainly exemplified that character underlies confidence, and that confidence is the sinew of credit. When confidence breaks down, credit shrinks. But when confidence controls, credit expands and performs its services unhampered. Credit is such a delicate instrument that character and confidence as psychological factors can not be disregarded without drying up the channels of commerce and bringing distress to those who have put their stake in business.

3. Credit needs a technique, and the base of this technique is co-operation. Unless men work together in good faith and a high sense of honor, credit will not perform its functions properly, and its technique is

incomplete. Sincere and unstinted co-operation is the most important factor in the whole world of business today. This rigorous fact was deeply engraved upon our thoughts and our consciences at the New York Convention.

4. Credit management rests for its efficiency upon a breadth of knowledge and experience which cannot be confined within the narrow limits of a credit department. The walls of a credit department, metaphorically speaking, must be broken down and the thoughts of the manager in charge cover a wide expanse of observation and learning if he desires to perform his functions with success to his enterprise and with satisfaction to himself.

If perchance the Convention in New York, as I believe it did, placed unfailing emphasis on these four significant facts, then it was justified and passes into history as having added to the Nation's resources.

Some are inclined to look upon convention gatherings as an opportunity of indulging entertainment proclivities, of playing merely to the social side, and undoubtedly at conventions there are always a number of such parasites. We can not hope, so long as the world exists, to get all men into a proper state of mind, either with respect to conventions or to any other useful idea. If we can point the way to a large number who will approach conventions in the proper frame of mind, with the desire to give and to take, to learn and to teach, then unquestionably the convention may be considered a national asset and one of the places where the friction of ideas produces vital sparks.

In my opinion, the New York Convention established a high peak in our association's history, for its many features. Although entertainment of a gratifying character was provided, and the social side was well provided for, yet in all

of its atmosphere the leading thought of the convention was to give the Nation something new and progressive in credit thought and to re-emphasize the value of some old and sound credit ideas.

### The Long Fight for Bankruptcy Legislation

It is wonderful to get a proper view of anything. Progress is often at the cost of suffering. In going through the throes of severe trials, human patience is usually severely tested.

Too often we measure the proportion of failures by their immediate hurt and fail to recognize that this hurt may mean future progress.

This philosophy appertains very largely to the National Bankruptcy Act. About a century ago the Supreme Court of the United States, with Chief Justice Marshall dissenting, decided that the enacting of bankruptcy legislation was not an exclusive right of Congress. The same Court a little later, with Chief Justice Marshall assenting, decided that the Insolvency Acts of the States had no extra-territorial application. These two decisions terribly confused bankruptcy legislation and, while in some of the States insolvency laws were very fair, yet they could not release a debtor of extra-territorial debts unless the foreign creditors could come in and accept the terms of the settlement.

In studying the Nation's financial and industrial history, I have never been able to comprehend why the people in our early period were averse to a National Bankruptcy Act. The second Bankruptcy Act lived but a few months; the third had a very checkered career owing to defective provisions and administration.

The vision was very clear to credit thinkers in the early Nineties. They saw that in order to get business into progressive channels and to capitalize our opportunities, the incongruities and the unfairness, in many instances of state bankruptcy legislation should be superseded by a Federal Law.

Those who believe that a credit technique is hardly possible without a Federal Bankruptcy Act largely control the affairs of the National Association of Credit Men.

The Association long ago took a determined stand on the subject and made the maintenance of a National Bankruptcy Act one of its first policies.

It happened that this Act rested for its complete success upon the interest and co-operation of creditors. It possessed no automatic powers; it could be no more effective than creditors would make it. With the rapid increase in business after the turn of the Twentieth Century, creditors fell down by not taking the interest its provisions required, and a decade and a half ago the situation in bankruptcy administration was exceedingly unsatisfactory. Creditors were blaming the Act for small dividends in the liquidation of insolvent estates. It was felt in some quarters that we should be better off without the Act. But through all of the impatience and the dissatisfaction, the National Association of Credit Men never for one moment sacrificed or departed from its original belief that a National Bankruptcy Act was a necessary feature of a useful credit technique and that to revert to the conditions of the early Nineties would stay the wheels of progress and inevitably slow down our credit commerce.

I am inclined to feel even in the face of too frequent small dividends in bankruptcy, that most creditors recognized the disadvantage they would suffer if their receivables were controlled by the insolvency statutes of forty-eight States, that it is better to improve the National Bankruptcy Act as improvements are needed, and keep on appealing to creditors for the co-operation which creditors, as a rule, do not supply.

Business in its natural courses changes its appearance. This feature is very much like a big river and, as business changes, the Bankruptcy Act should also be changed. Therefore, Congress should be more amenable to suggestions for amending the Bankruptcy Act, so that its provisions may be brought into accord with modern business.

The first substantial amending of the Act was in 1903. I remember the turmoil very clearly and how the amendatory bill was made the occasion of an effort to repeal the Act, which effort fortunately did not have any chance of success.

The amendments of 1903 were brought about by the Referees in

Bankruptcy and the National Association of Credit Men working in co-operation. The Act then rested until 1910 when the Association almost single-handed secured further substantial amendments to the Act. Even in this amended form it failed, within a few years, to cover all of the requirements of business.

Almost a decade ago, we began to study the Act with a view to further amendments and submitted two bills to Congress, both of which passed the Senate, but failed of passage in the House. These unsuccessful efforts merely inspired us to continue the work and with an interest in the subject aroused in the American Bar Association, the Commercial Law League of America and other professional and commercial organizations, a splendid bill was drafted and offered in the present Congress by Honorable E. C. Michener, of Michigan. The Association's previous bill was offered in the Senate by Mr. Walsh of Montana, and passed again without difficulty.

Reconciling the Senate and the House bills was a delicate piece of work, in the accomplishment of which Mr. Michener, of Michigan, is entitled to unstinted praise and gratitude. A conference committee made its report, the report was accepted by both Houses of Congress, and the bill was approved by President Coolidge on Thursday, May 27, 1926. At our Convention session of Friday, May 28, we were informed of the President's action and the pen with which he signed the bill was presented to the Association.

After 16 years, the National Bankruptcy Act was again amended and brought into accord with modern business needs. I say without reservation that this was among the Associations biggest accomplishments in its last current year, and when the provisions of the amended bill have been studied, the better protection accorded creditors through new responsibilities placed upon bankrupts and wider facilities for the punishment of crime may be clearly recognized.

I urge our readers to study the bill carefully, a procedure which the Credit Monthly makes convenient by the publication in this issue of the entire Walsh-Michener Law, with explanation and index.

# German Business Conditions

## The Mark Likely to Continue Stable

By Dr. David Friday

*Dr. Friday, after a five-months survey of Germany, declared in his address to the 31st Annual Convention of the National Association of Credit Men (of which the following is a part) that so far as anyone can foresee for any predictable number of months, or even years, the German mark is stable.*

**W**HEN you send out a lot of goods in excess of imports, you have claims in America or wherever you have sent the goods—you have a net balance of claims, and therefore you have a supply of bills of exchange and you can satisfy anybody who wants to receive gold abroad. You can also pay reparations by sending out more goods than you bring in,—and you can't pay them in any other way in the long run. The only other way in which you can get bills of exchange abroad is by borrowing money abroad, or, putting it better, by importing capital into the country. That can be done in one of two ways, and it has been done in the last year in both ways.

First, Your industry or your cities or your states can go abroad into America or England or Holland and borrow money; or second, the Americans can go into Europe and buy the German stocks and the German bonds which are already issued. Both of these things have happened.

It is clear, of course, that all borrowing abroad and all purchases of securities by Americans in Europe make bills of exchange in foreign exchange and have helped bring about this situation which I have just described, this condition of stability. It is still going on, but I think you will find very much less German borrowing in America in the next six months, as you are finding much less borrowing now than you did three months ago. The Germans are saving their own capital in very considerable measure.

They thought they hadn't any when I got over there in December. Being specialists in capital accumulation, before very long there was quite an abundant supply of capital. There was a great rise in the German stock market. My guess is that it will rise again in the next eighteen months.

### Buying of German Securities

The borrowing, I say, will decline so much that her supply of foreign exchange, because of borrowed money, will not be as large as it has been; but I am quite convinced that the purchase, by Americans, of German stocks and German mortgages and German bonds already issued in the next fifteen months and especially in the next twelve months will be very great. That is not advertised, there is not much of anything said about it in the newspapers. It is going on quietly, and I think it will go on very rapidly this winter if this next thing



DAVID FRIDAY

comes true, which I think may very well come true.

There are two ways in which the Germans can get foreign exchange, by which to keep their money stable and pay their reparations. One is importing capital by borrowing abroad or selling stocks and bonds. The other is by exporting more than they import, and it is at that point that the German situation has given the greatest worry to people abroad. Many reputable economists in this country have felt that it was quite impossible for Germany ever to create an excess of exports of commodities over imports of commodities which would enable her to keep her currency stable and meet her reparations payments.

It seems now that there is an able-bodied possibility that Germany will develop an export balance permanently which may be large enough to cover the reparations payments even at the maximum of 2,500,000,000 marks which will be reached in 1928 and 1929, and if they do that then the other things, I think, will all take care of themselves. If they do that, they will have lots of bills of exchange. The world will have confidence in German industry and German government. They will have monetary stability.

Why do I think there is any possibility of their doing that, when it is well known to those who have read the public utterances on this subject of very able men, that there has been the gravest doubt of it? Some of them have gone so far as to say that it was utterly impossible to do it: and yet I think it is possible. And just there is where the situation interests most keenly the American business man,

whether he be a farmer or a manufacturer or a merchant.

If you talk to well-informed people in Germany, they will call your attention to the fact that the imports of Germany in the year 1925 were 3,600,000,000 marks in excess of the exports, and a very few of them will call your attention to the fact that their imports of farm products were exactly 3,600,000,000 marks in excess of their exports; and what a few of the best informed men will tell you—not the politicians, not the people who talk generally on the basis of a very small amount of facts, but the people who know what is going on in the chemical industry, the people who know what can be done by way of increasing agricultural production with more fertilizers and more tractors, more machinery and better methods of seed selection and animal selection—these people will tell you, in confidential moments, that *within ten years Germany will feed herself, and that within five years she will feed herself in good crop years.*

Now, there is one of the facts that is of widest significance for American industry. It is of widest significance clearly for American agriculture and any thing that is of interest for American agriculture, representing as it does so large a part of our purchasing power in this country, is of interest for American business.

And it is not only Germany that is ambitious to feed herself in Europe. If you go down into Italy it is nothing short of a passion; they are carrying on a great campaign down there for the increase of wheat production, grain production, under the title "The War to Wheat." They are offering large prices for yields.

If you get into Austria, one of the first books you see in the windows is "How Can We Reconstruct Austria in Agriculture." Even Switzerland is trying to become more nearly self-sufficient in the matter of food supply because of her experiences during the war. I think it is one of the most important facts to take into consideration in the formation of an agricultural policy in the United States.

If the Germans are not mistaken, if they can reduce their imports of food, their net imports, by even two-thirds of the net import balance of 1925, it is clear that they will reduce it by 2,400,000,000 marks which is the reparations payment in the highest year.

I think the Germans are going to do that. I know what can be accomplished in agriculture and agricultural production in this country. We could feed 50 per cent more people in this country with very few more people on the farms, certainly with an addition of 10 or 15 per cent. Surely the Germans can do it because they are not as far advanced as we are in agricultural research. They

(Continued on page 33)



(a) U. S. Senator Thomas J. Walsh, of Montana; (b) Hon. Earl C. Michener, of Michigan, Member of Congress; (c) E. Paul Partridge, Vice-Pres., Chemical National Bank, N. Y., Pres. Bankruptcy Law Executive Committee, N. A. C. M.; (d) Simon Fleischmann, Chairman of Committee, American Bar Association; (e) Robert A. B. Cook, Committee Chairman, Commercial Law League of America, and Counsel, Boston Credit Men's Assn.; (f) W. Randolph Montgomery, Counsel, N. A. C. M., who led the forces of Business and the Bar in the campaign for the amendment of the Bankruptcy Law.

For full text of the Amended Law with Index, see pages 15 to 28

# The National Bankruptcy Law

## Explanation of the Amendments of May 27, 1926

By W. Randolph Montgomery

For full text of the Amended Law with Index, see pages 15 to 28

THE fact that amendments to the National Bankruptcy Law affecting certain of its provisions in important particulars were incorporated into that measure in 1926, makes it expedient to publish the revised law in order that business men may become familiar with the rules governing bankruptcy and bankruptcy procedure; hence this presentation of the law revised to date.

It is not amiss to point out at this time that the enactment of these amendments marks a long step forward in establishing finally and permanently a uniform bankruptcy system throughout the United States. Hitherto, to suggest amendments to the bankruptcy law has been but to stir up propositions of general repeal, inconsistent demands to wipe out the law and the system which has been created to administer it instead of to bring the law nearer perfection.

There are certain fundamental principles which should always be thought of in connection with the National Bankruptcy Law. Foremost is the principle of a just distribution of a bankrupt's property among his creditors, the prevention of preference, the securing of a fair and equitable division of the bankrupt's estate among the creditors, whether they be located near or far, whether large or small, swift to act or lenient; of importance, yet secondary, is the principle of release of the bankrupt from the obligation to discharge the unpaid balance of his debts, provided he has acted in strict good faith with his creditors.

Under the first great principle it remained to draft a law, workable and practical, which would bring the ordering and directing of the disposition of a bankrupt's estate within the control of the creditors whom the law recognizes as virtual owners thereof according to interest involved; in other words, the drafting of a law which would harmonize every possible conflicting element among the creditors by making the interest of one the interest of all. This has meant the guarding of every detail in the process of handling the estate from the time of filing the petition in bankruptcy until final ad-

judication, no matter how small or intricate each detail might be. The duties and privileges of every party involved in the settlement, his compensation, if there be any, has been most minutely covered by the law, the purpose being to insure honesty of administration of an estate and to eliminate tedious and expensive processes by making it possible for the creditors, those who are personally and primarily interested, to supervise every step of progress toward a winding up of the estate.

### The 1926 Amendments

The amendments recognize that the fundamental purpose of a bankruptcy law is to relieve honest debtors from the burden of obligations which they are unable to meet, and they place no greater obstacle in the path of the honest debtor seeking a discharge, than exists under the present law.

The amendments do not change in the slightest the theory of the bankruptcy law, which has been found to be as satisfactory as any system which can be proposed for this country.

The amendments are designed rather to strengthen the present law by recognizing its fundamental principle of creditors, control of bankrupt estates, and by placing safeguards in the statute to the end that creditors may more effectually help themselves in the administration of their debtors' property.

The amendments strike at the more serious abuses which have grown up in bankruptcy practice by changes designed to meet the following well recognized evils:

1. Collusion between the bankrupt and the officials appointed to administer his estate.
2. Fraudulent compositions.
3. Discharge of dishonest debtors.
4. Ineffective criminal provisions.
5. Evasion of the statute.
6. Unnecessary complications of procedure.

The more important of the amendments are as follows:

**Section 3 (a) Acts of Bankruptcy.** A new subdivision (4) is added to this Section reading as follows: "(4) Suffered, or permitted, while insolvent, any creditor to obtain through legal proceedings any levy, attachment, judgment, or other lien, and not having vacated or discharged the same within thirty days from the date such levy, attachment, judgment, or other lien was obtained."

The purpose of this amendment is to afford a remedy to creditors, when by collusion or otherwise, a creditor obtains through legal proceedings, a lien on his debtor's property, and the same is allowed to remain without sale or other disposition of the property for more than four months until it ripens into a valid preference. The amendment will permit the filing of a petition in bankruptcy for the purpose of dissolving such a lien if it has not been vacated or discharged within thirty days from the date it attaches.

Subdivision (4) of this section (now subdivision 5) is amended to read as follows:

"(5) made a general assignment for the benefit of his creditors; or, while insolvent, a receiver or a trustee has been appointed, or put in charge of his property."

The effect of this change is that the appointment of a receiver or a trustee either in the state or federal courts will be an act of bankruptcy, if the corporation be insolvent as defined by the Bankruptcy Act. Under the law as it formerly read, the appointment of a receiver or trustee was not an act of bankruptcy unless (a) the debtor himself applied for the appointment of such a receiver or trustee, or (b) the receiver or trustee was appointed because of insolvency.

Corporations desirous of keeping out of the bankruptcy court, even though insolvent as defined by the Bankruptcy Act, and clearly within the intent of the Act, have evaded the law by having someone else apply for the appointment of a receiver or trustee, and by alleging as the reason for the appointment any cause other than insolvency. The effect of the amendment is not in any way to interfere with receiverships where the corporation

is not insolvent within the meaning of the Bankruptcy Act, i.e. with assets sufficient to meet its liabilities at a fair valuation.

**Section 7 (a) Duties of Bankrupts.** Subdivision (8) of this section is amended to provide that the schedules in case of both voluntary and involuntary petitions shall be filed within ten days after the filing of the petition, making the practice in voluntary cases the same as in involuntary cases. (The old law required the filing of schedules in voluntary cases with the voluntary petition.) The purpose of this change is to eliminate the excuse offered by those who file collusive petitions to the effect that such petitions are frequently necessary because of the time and labor involved in the preparing of the schedules, which, under the former practice, must have accompanied a voluntary petition.

**Section 12 (a) Compositions.** The amendment to this section is to the effect that action upon the petition for adjudication shall not be delayed in case an offer of composition is filed, except that the Court for good cause shown may in its discretion delay such action upon such terms and conditions for the protection of, and indemnity against loss by the bankrupt estate as may be proper. Under the old law the filing of an offer of composition effected an automatic stay of any further proceedings on the petition for adjudication. The result was that offers of composition were filed in bad faith, for the sole purpose of staying proceedings on the petition for adjudication, thereby leaving the bankrupt in possession of his business and of his assets, until the assets were dissipated. Eventually the offer of composition was withdrawn or failed, and a greatly depleted estate found its way at last into the hands of a trustee. Under the amendment the Court is permitted to stay action on the petition for adjudication only if indemnity against loss by the bankrupt estate is provided. This amendment should do much to put an end to fraudulent compositions.

**Section 14 (b) Discharges.** The amendments to this section are to subdivisions (2), (3), (4) and (5) and the addition of a new subdivision (7).

Subdivision (2) as amended makes it a bar to a discharge for a bankrupt to have destroyed, mutilated, falsified, concealed, or failed to keep books of account or records from which his financial condition and business transactions might be ascertained, unless the court deems such failure or acts to have been justified under all the circumstances of the case.

The amendment to subdivision (4) makes the transfer, removal, destruction or concealment of property with intent to hinder, delay or defraud his creditors within twelve months immediately preceding the filing of a petition, a bar to discharge. The period under the old statute was four months.

The amendment to subdivision (5) makes the granting of a discharge in bankruptcy within six years a bar to a discharge whether the proceedings were voluntary or involuntary, (the old law limited this to voluntary proceedings) again removing one of the incentives to the filing of a collusive involuntary petition.

Subdivision (7) which has been added, reads as follows:

"Has failed to explain reasonably any losses of assets, or deficiency of assets to meet his liabilities," thus placing in the discretion of the Court the power to deny a discharge in any case in which the judge

is not satisfied with the explanation made by the bankrupt, as to the reason for his insolvent condition.

An important proviso has been added at the end of Section 14 (b) which requires no comment. It reads as follows:

"Provided, that if upon the hearing of an objection to a discharge, the objector shall show to the satisfaction of the court that there are reasonable grounds for believing that the bankrupt has committed any of the acts which, under this paragraph (b), would prevent his discharge in bankruptcy, then the burden of proving that he has not committed any of such acts shall be upon the bankrupt."

**Section 21 (h) Evidence.** The Bankruptcy Act contemplates co-operation between creditors in the administration of the estate, but it has never heretofore provided protection to creditors or to the officials charged with the responsibility of administration, in communicating with one another their findings with reference to the case. In order to safeguard creditors and to promote such co-operation, a new paragraph (h) has been added to Section 21 to the effect that a communication by a creditor, receiver or trustee of a bankrupt, to another creditor uttered in good faith and with reasonable grounds for belief in its truth concerning the conduct, acts or property of such bankrupt, shall be privileged, and the creditor, receiver or trustee so uttering the same shall not be held liable therefor.

**Section 24 (b) Jurisdiction of Appellate Courts.** In order to simplify Appellate Jurisdiction in bankruptcy, amendments have been adopted to Section 24 and Section 25 to the effect that all questions, both of law and of fact, shall be reviewed by appeal, and that all appeals shall be taken within thirty days after the adjudication, order or other matter complained of has been entered or rendered. The amendments retain the distinctions which now exist with reference to the jurisdiction of the Circuit Court of Appeals to review questions of law and fact and make no change except that the confusion which has heretofore existed between "petitions to revise" and "appeals" has been eliminated.

**Section 29 Offenses.** An amendment to Subdivision (a) of this section makes it a penal offense for a receiver, custodian or other officer of the court to knowingly and fraudulently misappropriate, embezzle, spend or unlawfully transfer any property or secrete or destroy any document belonging to a bankrupt estate which came into his charge as such officer.

The old act confined these offenses to such actions on the part of a trustee.

Subdivision (b) is amended by increasing the maximum penalty from two years to five years for offenses under the Bankruptcy Act, and the following new crimes are added:

"(6) Having been an officer or agent of any person or corporation, and in contemplation of the bankruptcy of such person or corporation or with intent to defeat the operation of this Act, concealed or transferred any of the property of the debtor; or (7) after the filing of the petition, or, in contemplation of bankruptcy, concealed, destroyed, mutilated, or falsified any book, document or record affecting or relating to the property or affairs of a bankrupt; or (8) after the filing of the petition, withheld from the receiver or trustee any book, document, or paper affecting or relating to the property or affairs of a bankrupt to the possession of which he is entitled."

Subdivision (5) of this section, has been changed as follows: The old Act read "extorted or attempted to extort any money or property from any person as a consideration for acting or forbearing to act in bankruptcy proceedings." This is amended to read as follows:

"(5) Received or attempted to obtain any money or property, remuneration, compensation, reward, advantage or promise thereof from any person, for acting or forbearing to act in bankruptcy proceedings;"

Subdivision (d) of this section is amended by increasing the period of limitation for the prosecution of crimes from one year to three years and an important new subdivision (e) is added which is intended to impress upon the United States attorneys the importance of prosecuting bankruptcy offenses, and to dispose once and for all of the contention made by many of the trustees and receivers that they are not at all concerned with the commission of crimes by the bankrupt but that their sole responsibility is the civil administration of the estate.

**Section 64 Debts Which Have Priority.** Amendments have been made to subdivisions (a) and (b) of this section to the effect that no order shall be made for the payment of a tax assessed against real estate of a bankrupt in excess of the value of the interest of the bankrupt estate therein, and making the payment of taxes subordinate to costs of administration, filing fees and the expenses of recovery of property, the expenses of creditors in opposing the confirmation of a composition, and wage claims.

#### Miscellaneous

The amendments embrace a number of minor provisions other than those above referred to such as the amendment to Section 57, which provides that claims against a bankrupt's estate shall not be proved subsequent to six months after adjudication, and an amendment authorizing the employment of stenographers at reasonable expense rather than at a fixed charge, as the act heretofore provided.

The 1926 Amendatory Bill represents the fruit of many years of painstaking work on the part of the Bankruptcy Law Committee of the National Association of Credit Men; and acknowledgment is here made of the very valuable co-operation of the Committee of the American Bar Association of which Simon Fleischmann, of Buffalo, N. Y., was chairman; the Commercial Law League of America, represented by Robert A. B. Cook and Joseph B. Jacobs, of Boston, and George Wentworth Carr of Philadelphia; the Merchants Protective Association of New York, represented by Allen R. Memhard of New York; and to Harold Remington of the New York bar.

To Senator Walsh of Montana and to Representative Earl C. Michener, of Michigan the National Association of Credit Men is forever indebted for their keen interest and patient efforts in behalf of the Amendatory bill. To Mr. Michener especially is due credit for the adoption of most of the amendments. His far-sighted statesmanship has won for him a place of lasting esteem in the councils of the organized credit executives.

The 1926 amendatory act was signed by President Coolidge May 27, 1926, and the amendments become effective August 27, 1926. The pen with which the act was signed was presented by the President to the National Association of Credit Men.

# Full Text of the Amended Bankruptcy Law Effective August 27, 1926

**CREDIT MANAGERS, NOTE**  
that on and after August 27, 1926, the time for filing claims in bankruptcy is limited to six months after adjudication instead of one year as formerly.

*An Act to Create a Uniform System of Bankruptcy in the United States and Territories (Adopted July 1, 1898; Amendments Approved February 5, 1903; June 15, 1906, June 25, 1910, March 2, 1917; January 7, 1922 and May 27, 1926.)*

PORTIONS AMENDED IN 1926 SHOWN IN ITALICS.

## CHAPTER I. DEFINITIONS

**SECTION 1. MEANING OF WORDS AND PHRASES.**—The words and phrases used in this act and in proceedings pursuant hereto shall, unless the same be inconsistent with the context, be construed as follows: (1) "A person against whom a petition has been filed" shall include a person who has filed a voluntary petition; (2) "adjudication" shall mean the date of the entry of a decree that the defendant, in a bankruptcy proceeding, is a bankrupt, or if such decree is appealed from, then the date when such decree is finally confirmed; (3) "appellate courts" shall include the circuit courts of appeals of the United States, the supreme courts of the Territories, and the Supreme Court of the United States; (4) "bankrupt" shall include a person against whom an involuntary petition or an application to set a composition aside or to revoke a discharge has been filed, or who has filed a voluntary petition, or who has been adjudged a bankrupt; (5) "clerk" shall mean the clerk of a court of bankruptcy; (6) "corporations" shall mean all bodies having any of the powers and privileges of private corporations not possessed by individuals or partnerships and shall include limited or other partnership associations organized under laws making the capital subscribed alone responsible for the debts of the association, joint stock companies, unincorporated companies and associations, and any business conducted by a trustee or trustees, wherein beneficial interest or ownership is evidenced by certificate or other written instrument; (7) "court" shall mean the court of bankruptcy in which the proceedings are pending, and may include the referee; (8) "courts of bankruptcy" shall include the district courts of the United States and of the Territories and possessions to which this act is or may hereafter be applicable, the Supreme Court of the District of Columbia, and the United States Court of Alaska; (9) "creditor" shall include anyone who owns a de-

mand or claim provable in bankruptcy, and may include his duly authorized agent, attorney, or proxy; (10) "date of bankruptcy," or "time of bankruptcy," or "commencement of proceedings," or "bankruptcy," with reference to time, shall mean the date when the petition was filed; (11) "debt" shall include any debt, demand or claim provable in bankruptcy; (12) "discharge" shall mean the release of a bankrupt from all his debts which are provable in bankruptcy, except such as are excepted by this act; (13) "document" shall include any book, deed, or instrument in writing; (14) "holiday" shall include Christmas, the Fourth of July, the Twenty-second of February, and any day appointed by the President of the United States or the Congress of the United States as a holiday or as a day of public fasting or thanksgiving; (15) a person shall be deemed insolvent within the provisions of this act whenever the aggregate of his property, exclusive of any property which he may have conveyed, transferred, concealed, or removed, or permitted to be concealed or removed, with intent to defraud, hinder or delay his creditors, shall not, at a fair valuation, be sufficient in amount to pay his debts; (16) "judge" shall mean a judge of a court of bankruptcy, not including the referee; (17) "oath" shall include affirmation; (18) "officer" shall include clerk, marshal, receiver, referee, and trustee, and the imposing of a duty upon or the forbidding of an act by any officer shall include his successor and any person authorized by law to perform the duties of such officer; (19) "persons" shall include corporations, except where otherwise specified, and officers, partnerships, and women, and when used with reference to the commission of acts which are herein forbidden shall include persons who are participants in the forbidden acts, and the agents, officers, and members of the board of directors or trustees, or other similar controlling bodies of corporations; (20) "petition" shall mean a paper filed in a court of bankruptcy or with a clerk or deputy clerk by a debtor praying for the benefits of this act, or by creditors alleging the commission of an act of bankruptcy by a debtor therein named; (21) "referee" shall mean the referee who has jurisdiction of the case or to whom the case has been referred, or anyone acting in his stead; (22) "conceal" shall include secret, falsify, and mutilate; (23) "secured creditor" shall include a creditor who has security for his debt upon the property of a bankrupt of a nature to be assignable under this act, or who owns such a debt for which some indorser, surety, or other persons secondarily liable for the bankrupt has such security upon the bankrupt's assets; (24) "States" shall include the Territories and possessions to which this act is, or may hereafter be, applicable, Alaska, and the District of Columbia; (25) "transfer" shall include the sale and every other and different mode of disposing of or

parting with property, or the possession of property, absolutely or conditionally, as a payment, pledge, mortgage, gift, or security; (26) "trustee" shall include "wage earner" shall mean an individual who works for wages, salary, or hire, all of the trustees of an estate; (27) at a rate of compensation not exceeding one thousand five hundred dollars per year; (28) words importing the masculine gender may be applied to and include corporations, partnerships, and women; (29) words importing the plural number may be applied to and mean only a single person or thing; (30) words importing the singular number may be applied to and mean several persons or things.

## CHAPTER II.

### CREATION OF COURTS OF BANKRUPTCY AND THEIR JURISDICTION.

**SEC. 2. COURTS AND JURISDICTION.**—That the courts of bankruptcy as hereinbefore defined, namely, the district courts of the United States in the several States, the Supreme Court of the District of Columbia, the district courts of the several Territories and Possessions to which this act is, or may hereafter be applicable, and the United States Court in the District of Alaska, are hereby made courts of bankruptcy, and are hereby invested, within their respective territorial limits as now established, or as they may be hereafter changed, with such jurisdiction at law and in equity as will enable them to exercise original jurisdiction in bankruptcy proceedings, in vacation in chambers and during their respective terms, as they are now or may be hereafter held, to (1) adjudicate persons bankrupt who have had their principal place of business, resided, or had their domicile within their respective territorial jurisdictions for the preceding six months, or the greater portion thereof, or who do not have their principal place of business, reside, or have their domicile within the United States, but have property within their jurisdictions, or who have been adjudged bankrupts by courts of competent jurisdiction without the United States and have property within their jurisdiction; (2) allow claims, disallow claims, reconsider allowed or disallowed claims, and allow or disallow them against bankrupt estates; (3) appoint receivers or the marshals, upon application of parties in interest, in case the court shall find it absolutely neces-

### REPRINTS (INDEXED)

of the Full Text of the Bankruptcy Law, with Explanation of Amendments, supplied at 25 cents each, or \$22.50 per 100, by the National Association of Credit Men, One Park Avenue, New York.

sary, for the preservation of estates, to take charge of the property of bankrupts after the filing of the petition and until it is dismissed or the trustee is qualified; (4) arraign, try, and punish bankrupts, officers, and other persons, and the agents, officers, members of the board of directors or trustees, or other similar controlling bodies, of corporations for violation of this act, in accordance with the laws of procedure of the United States now in force, or such as may be hereafter enacted, regulating trials for the alleged violation of laws of the United States; (5) authorize the business of bankrupts to be conducted for limited periods by receivers, the marshals, or trustees, if necessary in the best interests of the estates, and allow such officers additional compensation for such services, as provided in section forty-eight of this act; (6) bring in and substitute additional persons or parties in proceedings in bankruptcy when necessary for the complete determination of a matter in controversy; (7) cause the estates of bankrupts to be collected, reduced to money and distributed, and determine controversies in relation thereto, except as herein otherwise provided; (8) close estates, whenever it appears that they have been fully administered, by approving the final accounts and discharging the trustees, and reopen them whenever it appears they were closed before being fully administered; (9) confirm or reject compositions between debtors and their creditors, and set aside compositions and reinstate the cases; (10) consider and confirm, modify or overrule, or return, with instructions for further proceedings, records and findings certified to them by referees; (11) determine all claims of bankrupts to their exemptions; (12) discharge or refuse to discharge bankrupts and set aside discharges and reinstate the cases; (13) enforce obedience by bankrupts, officers, and other persons to all lawful orders, by fine or imprisonment or fine and imprisonment; (14) extradite bankrupts from their respective districts to other districts; (15) make such orders, issue such process, and enter such judgments in addition to those specifically provided for as may be necessary for the enforcement of the provisions of this act; (16) punish persons for contempts committed before referees; (17) pursuant to the recommendation of creditors, or when they neglect to recommend the appointment of trustees, appoint trustees, and upon complaints of creditors, remove trustees for cause upon hearing and after notices to them; (18) tax costs, whenever they are allowed by law, and render judgments therefor against the unsuccessful party, or the successful party for cause, or in part against each of the parties, and against estates, in proceedings in bankruptcy; (19) transfer cases to other courts of bankruptcy; and (20) exercise ancillary jurisdiction over persons or property within their respective territorial limits in aid of a receiver or trustee appointed in any bankruptcy proceedings pending in any other court of bankruptcy.

Nothing in this section contained shall be construed to deprive a court of bankruptcy of any power it would possess were certain specific powers not herein enumerated.

### CHAPTER III. BANKRUPTS.

#### SEC. 3. ACTS OF BANKRUPTCY. —*a* Acts of bankruptcy by a person shall

consist of his having (1) conveyed, transferred, concealed, or removed, or permitted to be concealed or removed, any part of his property, with intent to hinder, delay, or defraud his creditors, or any of them; or (2) transferred, while insolvent, any portion of his property to one or more of his creditors with intent to prefer such creditors over his other creditors; or (3) suffered or permitted, while insolvent, any creditor to obtain through legal proceedings any levy, attachment, judgment, or other lien, and not having vacated or discharged the same within thirty days from the date such levy, attachment, judgment, or other lien was obtained; or (5) made a general assignment for the benefit of his creditors; or, while insolvent, a receiver or a trustee has been appointed, or put in charge of his property; or (6) admitted in writing his inability to pay his debts and his willingness to be adjudged a bankrupt on that ground.

*b* A petition may be filed against a person who is insolvent and who has committed an act of bankruptcy within four months after the commission of such act. Such time shall not expire until four months after (1) the date of the recording or registering of the transfer or assignment when the act consists in having made a transfer of any of his property with intent to hinder, delay, or defraud his creditors or for the purpose of giving a preference as hereinbefore provided, or a general assignment for the benefit of his creditors, if by law such recording or registering is required or permitted, or, if it is not, from the date when the beneficiary takes notorious, exclusive, or continuous possession of the property unless the petitioning creditors have received actual notice of such transfer or assignment.

*c* It shall be a complete defense to any proceedings in bankruptcy instituted under the first subdivision of this section to allege and prove that the party proceeded against was not insolvent as defined in this act at the time of the filing of the petition against him, and if solvency at such date is proved by the alleged bankrupt the proceedings shall be dismissed, and under said subdivision one the burden of proving solvency shall be on the alleged bankrupt.

*d* Whenever a person against whom a petition has been filed as hereinbefore provided under the second and third subdivisions of this section takes issue with and denies the allegation of his insolvency, it shall be his duty to appear in court on the hearing, with his books, papers, and accounts, and submit to an examination, and give testimony as to all matters tending to establish solvency or insolvency, and in case of his failure to so attend and submit to examination the burden of proving his solvency shall rest upon him.

*e* Whenever a petition is filed by any person for the purpose of having another adjudged a bankrupt, and an application is made to take charge of and hold the property of the alleged bankrupt, or any part of the same, prior to the adjudication and pending a hearing on the petition, the petitioner or applicant shall file in the same court a bond with at least two good and sufficient sureties who shall

reside within the jurisdiction of said court, to be approved by the court or a judge thereof, in such sum as the court shall direct, conditioned for the payment, in case such petition is dismissed, to the respondent, his or her personal representatives, of all costs, expenses, and damages occasioned by such seizure, taking, and detention of the property of the alleged bankrupt.

If such petition be dismissed by the court or withdrawn by the petitioner, the respondent or respondents shall be allowed all costs, counsel fees, expenses, and damages occasioned by such seizure, taking, or detention of such property. Counsel fees, costs, expenses, and damages shall be fixed and allowed by the court, and paid by the obligors in such bond.

**SEC. 4. WHO MAY BECOME BANKRUPTS.**—*a* Any person, except a municipal, railroad, insurance, or banking corporation, shall be entitled to the benefits of this act as a voluntary bankrupt.

*b* Any natural person, except a wage-earner or a person engaged chiefly in farming or the tillage of the soil, any unincorporated company, and any moneyed, business, or commercial corporation, except a municipal, railroad, insurance, or banking corporation, owing debts to the amount of one thousand dollars or over, may be adjudged an involuntary bankrupt upon default or an impartial trial, and shall be subject to the provisions and entitled to the benefits of this act. The bankruptcy of a corporation shall not release its officers, directors, or stockholders, as such, from any liability under the laws of a State or Territory or of the United States.

**SEC. 5. PARTNERS.**—*a* A partnership, during the continuation of the partnership business, or after its dissolution and before the final settlement thereof, may be adjudged a bankrupt.

*b* The creditors of the partnership shall appoint the trustee; in other respects so far as possible the estate shall be administered as herein provided for other estates.

*c* The court of bankruptcy which has jurisdiction of one of the partners may have jurisdiction of all the partners and of the administration of the partnership and individual property.

*d* The trustee shall keep separate accounts of the partnership property and of the property belonging to the individual partners.

*e* The expenses shall be paid from the partnership property and the individual property in such proportions as the court shall determine.

*f* The net proceeds of the partnership property shall be appropriated to the payment of the partnership debts, and the net proceeds of the individual estate of each partner to the payment of his individual debts. Should any surplus remain of the property of any partner after paying his individual debts, such surplus shall be added to the partnership assets and be applied to the payment of the partnership debts. Should any surplus of the partnership property remain after paying the partnership debts, such surplus shall be added to the assets of the individual partners in the proportion of their respective interests in the partnership.

*g* The court may permit the proof of the claim of the partnership estate against the individual estates, and vice versa, and may marshal the assets of the partnership estate and individual estates so as

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*h* In the event of one or more but not all of the members of a partnership being adjudged bankrupt, the partnership property shall not be administered in bankruptcy, unless by consent of the partner or partners not adjudged bankrupt; but such partner or partners not adjudged bankrupt shall settle the partnership business as expeditiously as its nature will permit, and account for the interest of the partner or partners adjudged bankrupt.

**SEC. 6. EXEMPTION OF BANKRUPTS.**—*a* This act shall not affect the allowance to bankrupts of the exemptions which are prescribed by the State laws in force at the time of the filing of the petition in the State wherein they have had their domicile for the six months or the greater portion thereof immediately preceding the filing of the petition.

**SEC. 7. DUTIES OF BANKRUPTS.**—*a* The bankrupt shall (1) attend the first meeting of his creditors, if directed by the court or a judge thereof to do so, and the hearing upon his application for a discharge, if filed; (2) comply with all lawful orders of the court; (3) examine the correctness of all proofs of claims filed against his estate; (4) execute and deliver such papers as shall be ordered by the court; (5) execute to his trustee transfers of all his property in foreign countries; (6) immediately inform his trustee of any attempt, by his creditors or other persons, to evade the provisions of this act, coming to his knowledge; (7) in case of any person having to his knowledge proved a false claim against his estate, disclose that fact immediately to his trustee; (8) prepare, make oath to, and file in court within ten days after adjudication, if an involuntary bankrupt, and within ten days after the filing of a petition, if a voluntary bankrupt (unless in either case further time is granted), a schedule of his property showing the amount and kind of property, the location thereof, its money value in detail, and a list of his creditors showing their residence, if known; if unknown, that fact to be stated, the amounts due each of them, the consideration thereof, the security held by them if any, and a claim for such exemptions as he may be entitled to, all in triplicate, one copy of each for the clerk, one for the referee, and one for the trustee; (9) when present at the first meeting of his creditors, and at such other times as the court shall order, submit to an examination concerning the conducting of his business, the cause of his bankruptcy, his dealings with his creditors and other persons, the amount, kind, and whereabouts of his property, and, in addition, all matters which may affect the administration and settlement of his estate; but no testimony given by him shall be offered in evidence against him in any criminal proceeding.

**PROVIDED, HOWEVER,** That he shall not be required to attend a meeting of his creditors, or at or for an examination at a place more than one hundred and fifty miles distant from his home or principal place of business, or to examine claims except when presented to him, unless ordered by the court, or a judge thereof, for cause shown, and the bankrupt shall be paid his actual expenses from the estate when examined or required to attend at any place other than the city, town, or village of his residence.

**SEC. 8. DEATH OR INSANITY OF BANKRUPTS.**—*a* The death or insan-

ity of a bankrupt shall not abate the proceedings, but the same shall be conducted and concluded in the same manner, so far as possible, as though he had not died or become insane: PROVIDED, That in case of death the widow and children shall be entitled to all rights of dower and allowance fixed by the laws of the State of the bankrupt's residence.

**SEC. 9. PROTECTION AND DETENTION OF BANKRUPTS.**—*a* A bankrupt shall be exempt from arrest upon civil process except in the following cases: (1) When issued from a court of bankruptcy for contempt or disobedience of its lawful orders; (2) when issued from a State court having jurisdiction, and served within such State; upon a debt or claim from which his discharge in bankruptcy would not be a release, and in such case he shall be exempt from such arrest when in attendance upon a court of bankruptcy, or engaged in the performance of a duty imposed by this act.

*b* The judge may at any time after the filing of a petition by or against a person, and before the expiration of one month after the qualification of the trustee, upon satisfactory proof by the affidavits of at least two persons that such bankrupt is about to leave the district in which he resides or has his principal place of business to avoid examination, and that his departure will defeat the proceedings in bankruptcy, issue a warrant to the marshal, directing him to bring such bankrupt forthwith before the court for examination. If upon hearing the evidence of the parties it shall appear to the court or a judge thereof that the allegations are true, and that it is necessary, he shall order such marshal to keep such bankrupt in custody not exceeding ten days, but not imprison him, until he shall be examined and released or give bail conditioned for his appearance for examination, from time to time, not exceeding in all ten days, as required by the court, and for his obedience to all lawful orders made in reference thereto.

**SEC. 10. EXTRADITIONS OF BANKRUPTS.**—*a* Whenever a warrant for the apprehension of a bankrupt shall have been issued, and he shall have been found within the jurisdiction of a court other than the one issuing the warrant, he may be extradited in the same manner in which persons under indictment are now extradited from one district within which a district court has jurisdiction to another.

**SEC. 11. SUITS BY AND AGAINST BANKRUPTS.**—*a* A suit which is founded upon a claim from which a discharge would be a release, and which is pending against a person at the time of the filing of a petition against him, shall be stayed until after an adjudication or the dismissal of the petition; if such person is adjudged a bankrupt, such action may be further stayed until twelve months after the date of such adjudication, or, if within that time such person applies for a discharge, then until the question of such discharge is determined.

*b* The court may order the trustee to enter his appearance and defend any pending suit against the bankrupt.

*c* A trustee may, with the approval of the court, be permitted to prosecute as trustee any suit commenced by the bankrupt prior to the adjudication, with like force and effect as though it had been commenced by him.

*d* Suits shall not be brought by or against a trustee of a bankrupt estate

subsequent to two years after the estate has been closed.

**SEC. 12. COMPOSITIONS, WHEN CONFIRMED.**—*a* A bankrupt may offer either before or after adjudication, terms of composition to his creditors after, but not before, he has been examined in open court or at a meeting of his creditors, and has filed in court the schedule of his property and the list of his creditors required to be filed by bankrupts. In compositions before adjudication the bankrupt shall file the required schedules, and thereupon the court shall call a meeting of creditors for the allowance of claims, examination of the bankrupt, and preservation or conduct of estates, at which meeting the judge or referee shall preside; but action upon the petition for adjudication shall not be delayed, except that the court, for good cause shown, may in its discretion delay such action upon such terms and conditions for the protection of and indemnity against loss by the bankrupt estate as may be proper.

*b* An application for the confirmation of a composition may be filed in the court of bankruptcy after, but not before, it has been accepted in writing by a majority in number of all creditors whose claims have been allowed, which number must represent a majority in amount of such claims, and the consideration to be paid by the bankrupt to his creditors, and the money necessary to pay all debts which have priority and the cost of the proceedings, have been deposited in such place as shall be designated by and subject to the order of the judge.

*c* A date and place, with reference to the convenience of the parties in interest, shall be fixed for the hearing upon each application for the confirmation of a composition, and such objections as may be made to its confirmation.

*d* The judge shall confirm a composition if satisfied that (1) it is for the best interests of the creditors; (2) the bankrupt has not been guilty of any of the acts or failed to perform any of the duties which would be a bar to his discharge; and (3) the offer and its acceptance are in good faith and have not been made or procured except as herein provided, or by any means, promises, or acts herein forbidden.

*e* Upon the confirmation of a composition, the consideration shall be distributed as the judge shall direct, and the case dismissed. Whenever a composition is not confirmed, the estate shall be administered in bankruptcy as herein provided.

**SEC. 13. COMPOSITIONS, WHEN SET ASIDE.**—*a* The judge may, upon the application of parties in interest filed at any time within six months after a composition has been confirmed, set the same aside and reinstate the case if it shall be made to appear upon a trial that fraud was practiced in the procuring of such composition, and that the knowledge thereof has come to the petitioners since the confirmation of such composition.

**SEC. 14. DISCHARGES, WHEN GRANTED.**—*a* Any person may, after the expiration of one month and within twelve months, subsequent to being adjudged a bankrupt, file an application for a discharge in the court of bankruptcy in which the proceedings are pending, if it shall be made to appear to the judge that the bankrupt was unavoidably prevented from filing it within such time, it may be filed within but not after the expiration of the next six months.

*b* The judge shall hear the application

for a discharge and such proofs and pleas as may be made in opposition thereto by the trustee or other parties in interest, at such time as will give the trustee or parties in interest a reasonable opportunity to be fully heard; and investigate the merits of the application and discharge the applicant, unless he has (1) committed an offense punishable by imprisonment as herein provided; or (2) destroyed, mutilated, falsified, concealed, or failed to keep books of account, or records from which his financial condition and business transactions might be ascertained; unless the court deem such failure or acts to have been justified, under all the circumstances of the case; or (3) obtained money or property on credit or obtained an extension or renewal of credit, by making or publishing or causing to be made or published, in any manner whatsoever, a materially false statement in writing respecting his financial condition; or (4) at any time subsequent to the first day of the twelve months immediately preceding the filing of the petition, transferred, removed, destroyed, or concealed, or permitted to be removed, destroyed, or concealed, any of his property, with intent to hinder, delay, or defraud his creditors; or (5) has been granted a discharge in bankruptcy within six years; or (6) in the course of the proceedings in bankruptcy refused to obey any lawful order of, or to answer any material question approved by the court; or (7) has failed to explain satisfactorily any losses of assets or deficiency of assets to meet his liabilities: Provided, That if, upon the hearing of an objection to a discharge, the objector shall show to the satisfaction of the court that there are reasonable grounds for believing that the bankrupt has committed any of the acts which, under this paragraph (b), would prevent his discharge in bankruptcy, then the burden of proving that he has not committed any of such acts shall be upon the bankrupt: And provided further, That the trustee shall not interpose objections to a bankrupt's discharge until he shall be authorized so to do by the creditors at a meeting of creditors called for that purpose on the application of any creditor.

c The confirmation of a composition shall discharge the bankrupt from his debts, other than those agreed to be paid by the terms of the composition and those not affected by a discharge.

SEC. 15. DISCHARGES, WHEN REVOKED.—a The judge may, upon the application of parties in interest who have not been guilty of undue laches, filed at any time within one year after a discharge shall have been granted, revoke it upon a trial if it shall be made to appear that it was obtained through the fraud of the bankrupt, and that the knowledge of the fraud has come to the petitioners since the granting of the discharge, and that the actual facts did not warrant the discharge.

SEC. 16. CO-DEBTORS OF BANKRUPTS.—a The liability of a person who is a co-debtor with, or guarantor or in any manner a surety for, a bankrupt shall not be altered by the discharge of such bankrupt.

SEC. 17. DEBTS NOT AFFECTED BY DISCHARGE.—a A discharge in bankruptcy shall release a bankrupt from all of his probable debts, except such as (1) are due as a tax levied by the United States, the State, county, district, or municipality in which he resides; (2) are liabilities for obtaining property by false pretenses or false representations, or wilful and malicious injuries to the

person or property of another; or for alimony due or to become due, or for maintenance or support of wife or child, or for seduction of an unmarried female, or for criminal conversation; (3) have not been duly scheduled in time for proof and allowance, with the name of the creditor if known to the bankrupt, unless such creditor had notice or actual knowledge of the proceedings in bankruptcy; or (4) were created by his fraud, embezzlement, misappropriation, or defalcation while acting as an officer or in any fiduciary capacity; or (5) are for wages due to workmen, clerks, traveling or city salesmen, or servants, which have been earned within three months before the date of commencement of the proceedings in bankruptcy; or, (6) are due for moneys of an employee received or retained by his employer to secure the faithful performance by such employee of the terms of a contract of employment.

#### CHAPTER IV.

##### COURTS AND PROCEDURE THEREIN

SEC. 18. PROCESS, PLEADINGS, AND ADJUDICATIONS.—a Upon the filing of a petition for involuntary bankruptcy, service thereof, with a writ of subpoena, shall be made upon the person therein named as defendant in the same manner that service of such process is now had upon the commencement of a suit in equity in the courts of the United States, except that it shall be returnable within fifteen days, unless the judge shall for cause fix a longer time; but in case personal service cannot be made, then notice shall be given by publication in the same manner and for the same time as provided by law for notice by publication in suits to enforce a legal or equitable lien, in courts of the United States, except that, unless the judge shall otherwise direct, the order shall be published not more than once a week for two consecutive weeks, and the return day shall be ten days after the last publication unless the judge shall for the cause fix a longer time.

b The bankrupt, or any creditor, may appear and plead to the petition within five days after the return day, or within such further time as the court may allow.

c All pleadings setting up matters of fact shall be verified under oath.

d If the bankrupt, or any of his creditors, shall appear, within the time limited, and controvert the facts alleged in the petition, the judge shall determine, as soon as may be, the issues presented by the pleadings, without the intervention of a jury, except in cases where a jury trial is given by this act, and make the adjudication or dismiss the petition.

e If on the last day within which pleadings may be filed none are filed by the bankrupt or any of his creditors, the judge shall on the next day, if present, or as soon thereafter as practicable, make the adjudication or dismiss the petition.

f If the judge is absent from the district, or the division of the district in which the petition is pending, on the next day after the last day on which pleadings may be filed, and none have been filed by the bankrupt or any of his creditors, the clerk shall forthwith refer the case to the referee.

g Upon the filing of a voluntary petition the judge shall hear the petition and make the adjudication or dismiss the petition. If the judge is absent from the district, or the division of the district in which the petition is filed at the time of the filing, the clerk shall forthwith refer the case to the referee.

SEC. 19. JURY TRIALS.—a A person

against whom an involuntary petition has been filed shall be entitled to have a trial by jury, in respect to the question of his insolvency, except as herein otherwise provided, and any act of bankruptcy alleged in such petition to have been committed, upon filing a written application therefor at or before the time within which an answer may be filed. If such application is not filed within such time, a trial by jury shall be deemed to have been waived.

b If a jury is not in attendance upon the court, one may be specially summoned for the trial, or the case may be postponed, or, if the case is pending in one of the district courts within the jurisdiction of a circuit court of the United States, it may be certified for trial to the circuit court sitting at the same place, or by consent of parties when sitting at any other place in the same district, if such circuit court has or is to have a jury first in attendance.

c The right to submit matters in controversy, or an alleged offense under this act, to a jury shall be determined and enjoyed, except as provided by this act, according to the United States laws now in force or such as may be hereafter enacted in relation to trials by jury.

SEC. 20. OATHS, AFFIRMATIONS.—a Oaths required by this act, except upon hearings in court, may be administered by (1) referees; (2) officers authorized to administer oaths in proceedings before the courts of the United States, or under the laws of the State where the same are to be taken; and (3) diplomatic or consular officers of the United States in any foreign country.

b Any person conscientiously opposed to taking an oath may, in lieu thereof, affirm. Any person who shall affirm falsely shall be punished as for the making of a false oath.

SEC. 21. EVIDENCE.—a A court of bankruptcy may, upon application of any officer, bankrupt or creditor, by order require any designated person, including the bankrupt and his wife, to appear in court or before a referee or the judge of any State court, to be examined concerning the acts, conduct, or property of a bankrupt whose estate is in process of administration under this act: Provided, That the wife may be examined only touching business transacted by her or to which she is a party, and to determine the fact whether she has transacted or been a party to any business of the bankrupt.

b The right to take depositions in proceedings under this act shall be determined and enjoyed according to the United States laws now in force, or such as may be hereafter enacted relating to the taking of depositions, except as herein provided.

c Notice of the taking of depositions shall be filed with the referee in every case. When depositions are to be taken in opposition to the allowance of a claim notice shall also be served upon the claimant, and when in opposition to a discharge notice shall also be served upon the bankrupt.

d Certified copies of proceedings before a referee, or of papers, when issued by the clerk or referee, shall be admitted as evidence with like force and effect as certified copies of the records of district courts of the United States are now or may hereafter be admitted as evidence.

e A certified copy of the order approving the bond of a trustee shall constitute conclusive evidence of the vesting in him of the title to the property of the bank-

rupt, and if recorded shall impart the same notice that a deed from the bankrupt to the trustee if recorded would have imparted had not bankruptcy proceedings intervened.

*f* A certified copy of an order confirming or setting aside a composition, or granting or setting aside a discharge, not revoked, shall be evidence of the jurisdiction of the court, the regularity of the proceedings, and of the fact that the order was made.

*g* A certified copy of an order confirming a composition shall constitute evidence of the revesting of the title of his property in the bankrupt, and if recorded shall impart the same notice that a deed from the trustee to the bankrupt if recorded would impart.

*h* A communication by a creditor, receiver, or trustee of one, by, or against whom a bankruptcy petition is filed, or who has been adjudicated a bankrupt, to another creditor, uttered in good faith and with reasonable grounds for belief in its truth, concerning the conduct, acts, or property of such bankrupt, shall be privileged, and the creditor, receiver, or trustee so uttering the same shall not be held liable therefor.

**SEC. 22. REFERENCE OF CASES AFTER ADJUDICATION.**—*a* After a person has been adjudged a bankrupt the judge may cause the trustee to proceed with the administration of the estate, or refer it (1) generally to the referee or specially with only limited authority to act in the premises or to consider and report upon specified issues; or (2) to any referee within the territorial jurisdiction of the court, if the convenience of parties in interest will be served thereby, or for cause, or if the bankrupt does not do business, reside, or have his domicile in the district.

*b* The judge may, at any time, for the convenience of parties or for cause, transfer a case from one referee to another.

**SEC. 23. JURISDICTION OF UNITED STATES AND STATE COURTS.**—*a* The United States district courts shall have jurisdiction of all controversies at law and in equity, as distinguished from proceedings in bankruptcy, between trustees as such and adverse claimants concerning the property acquired or claimed by the trustees, in the same manner and to the same extent only as though bankruptcy proceedings had not been instituted and such controversies had been between the bankrupts and such adverse claimants.

*b* Suits by the trustee shall only be brought or prosecuted in the courts where the bankrupt, whose estate is being administered by such trustee, might have brought or prosecuted them if proceedings in bankruptcy had not been instituted, unless by consent of the proposed defendant, except suits for the recovery of property under section sixty, subdivision b; section sixty-seven, subdivision e; and section seventy, subdivision e.

**SEC. 24. JURISDICTION OF APPELLATE COURTS.**—*a* The Supreme Court of the United States, the circuit courts of appeal of the United States, the Court of Appeals of the District of Columbia, and the supreme courts of the Territories, in vacation, in chambers and during their respective terms, as now or as they may be hereafter held, are hereby invested with appellate jurisdiction of controversies arising in bankruptcy proceedings from the courts of bankruptcy

\* Note.—So much of Secs. 24 and 25 as regulates the mode of review by the Supreme Court was repealed by Chap. 229, Sec. 13 43 Stat. 941.

from which they have appellate jurisdiction in other cases.

*b* The several circuit courts of appeal and the Court of Appeals of the District of Columbia shall have jurisdiction in equity, either interlocutory or final, to superintend and revise in matter of law (and in matter of law and fact the matters specified in section 25) the proceedings of the several inferior courts of bankruptcy within their jurisdiction. Such power shall be exercised by appeal and in the form and manner of an appeal, except in the cases mentioned in said section 25 to be allowed in the discretion of the appellate court.

*c* All appeals under this section shall be taken within thirty days after the judgment, or order, or other matter complained of, has been rendered or entered.

**SEC. 25\* APPEALS AND WRITS OF ERROR.**—*a* That appeals, as in equity cases, may be taken in bankruptcy proceedings from the courts of bankruptcy to the circuit court of appeals of the United States, and the Court of Appeals of the District of Columbia and to the supreme courts of the Territories, in the following cases, to wit, (1) from a judgment adjudging or refusing to adjudicate the defendant a bankrupt; (2) from a judgment granting or denying a discharge; and (3) from a judgment allowing or rejecting a debt or claim of five hundred dollars or over. Such appeal shall be taken within thirty days after the judgment appealed from has been rendered, and may be heard and determined by the appellate court in term or vacation, as the case may be.

*b* From any final decision of a court of appeals, allowing or rejecting a claim under this act, an appeal may be had under such rules and within such time as may be prescribed by the Supreme Court of the United States, in the following cases and no other:

1. Where the amount in controversy exceeds the sum of two thousand dollars, and the question involved is one which might have been taken on appeal or writ of error from the highest court of a State to the Supreme Court of the United States; or

2. Where some Justice of the Supreme Court of the United States shall certify that in his opinion the determination of the question or questions involved in the allowance or rejection of such claim is essential to a uniform construction of this act throughout the United States.

*c* Trustees shall not be required to give bond when they take appeals or sue out writs of error.

*d* Controversies may be certified to the Supreme Court of the United States and from other courts of the United States, and the former court may exercise jurisdiction thereof and issue writs of certiorari pursuant to the provisions of the United States laws now in force or such as may be hereafter enacted.

**SEC. 26. ARBITRATION OF CONTROVERSIES.**—*a* The trustee may, pursuant to the direction of the court, submit to arbitration any controversy arising in the settlement of the estate.

*b* Three arbitrators shall be chosen by mutual consent, or one by the trustee, one by the other party to the controversy, and the third by the two so chosen, or if they fail to agree in five days after their appointment the court shall appoint the third arbitrator.

*c* The written finding of the arbitrators, or a majority of them, as to the issue presented, may be filed in court and shall have like force and effect as the verdict of a jury.

**SEC. 27. COMPROMISES.**—*a* The trustee may, with the approval of the court, compromise any controversy arising in the administration of the estate upon such terms as he may deem for the best interests of the estate.

**SEC. 28. DESIGNATION OF NEWSPAPERS.**—*a* Courts of bankruptcy shall by order designate a newspaper published within their respective territorial districts, and in the county in which the bankrupt resides or the major part of his property is situated, in which notices required to be published by this act and orders which the court may direct to be published shall be inserted. Any court may in a particular case, for the convenience of parties in interest, designate some additional newspaper in which notices and orders in such case shall be published.

**SEC. 29. OFFENSES.**—*a* A person shall be punished, by imprisonment for a period not to exceed five years, upon conviction of the offense of having knowingly and fraudulently appropriated to his own use, embezzled, spent, or unlawfully transferred any property or secreted or destroyed any document belonging to a bankrupt estate which came into his charge as trustee, receiver, custodian or other officer of the court.

*b* A person shall be punished, by imprisonment for a period not to exceed five years upon conviction of the offense of having knowingly and fraudulently (1) concealed from the receiver, trustee, United States marshal, or other officer of the court charged with the control or custody of property, or from creditors in composition cases, any property belonging to the estate of a bankrupt; or (2) made a false oath or account in, or in relation to, any proceeding in bankruptcy; (3) presented under oath any false claim for proof against the estate of a bankrupt, or used any such claim in composition personally or by agent, proxy, or attorney, or as agent, proxy, or attorney; or (4) received any material amount of property from a bankrupt after the filing of the petition, with intent to defeat this act; or (5) received or attempted to obtain any money or property, remuneration, compensation, reward, advantage, or promise thereof from any person, for acting or forbearing to act in bankruptcy proceedings; or (6) having been an officer or agent of any person or corporation, and in contemplation of the bankruptcy of such person or corporation, or with intent to defeat the operation of this act, concealed or transferred any of the property of the debtor; or (7) after the filing of the petition, or, in contemplation of bankruptcy, concealed, destroyed, mutilated, or falsified any book, document, or record affecting or relating to the property or affairs of a bankrupt; or (8) after the filing of the petition, withheld from the receiver or trustee any book, document, or paper affecting or relating to the property or affairs of a bankrupt, to the possession of which he is entitled.

*c* A person shall be punished by fine, not to exceed five hundred dollars, and forfeit his office, and the same shall thereupon become vacant, upon conviction of the offense of having knowingly (1) acted as a referee in a case in which he is directly or indirectly interested; or (2) purchased, while a referee, directly or indirectly, any property of the estate in bankruptcy of which he is referee; or (3) refused, while a referee or trustee, to permit a reasonable opportunity for the inspection of the accounts relating

to the affairs of, and the papers and records of, estates in his charge by parties in interest when directed by the court so to do.

*d* A person shall not be prosecuted for any offense arising under this act unless the indictment is found or the information is filed in court within *three years* after the commission of the offense.

*e* (1) *Whenever any referee, receiver, or trustee shall have grounds for believing that any offense under this act has been committed, or from facts or circumstances brought out in the course of administration or otherwise brought to his attention, that there is reasonable ground to believe that such an offense has been committed, or for special reason, an investigation should be had in connection therewith, it shall be the duty of such referee, receiver, or trustee to report such matter to the United States attorney for the district in which it is believed such an offense has been committed, including in such report a statement of all the facts and circumstances of the case within his knowledge, with the names of the witnesses, and a statement as to the offense or offenses believed to have been committed.*

*(2) It shall be the duty of every United States attorney immediately to inquire into the fact so reported to him by any referee, receiver, or trustee, and the law applicable thereto, and if it appears probable that any offense under this act has been committed, in a proper case and without delay, to present the matter to the grand jury, unless upon inquiry and examination such district attorney decides that the ends of public justice do not require that the alleged offense should be investigated or prosecuted, in which case he shall report the facts to the Attorney General for his direction in the premises.*

**SEC. 30. RULES, FORMS, AND ORDERS.**—*a* All necessary rules, forms, and orders as to procedure and for carrying this act into force and effect shall be prescribed, and may be amended from time to time, by the Supreme Court of the United States.

**SEC. 31. COMPUTATION OF TIME.**—*a* Whenever time is enumerated by days in this act, or in any proceeding in bankruptcy, the number of days shall be computed by excluding the first and including the last, unless the last fall on a Sunday or holiday, in which event the day last included shall be the next day thereafter which is not a Sunday or a legal holiday.

**SEC. 32. TRANSFER OF CASES.**—*a* In the event petitions are filed against the same person, or against different members of a partnership, in different courts of bankruptcy, each of which has jurisdiction, the cases shall be transferred, by order of the courts relinquishing jurisdiction to and be consolidated by the one of such courts which can proceed with the same for the greatest convenience of parties in interest.

#### CHAPTER V. OFFICERS, THEIR DUTIES AND COMPENSATION.

**SEC. 33. CREATION OF TWO OFFICES.**—*a* The offices of referee and trustee are hereby created.

**SEC. 34. APPOINTMENT, REMOVAL AND DISTRICTS OF REFEREES.**—*a* Courts of bankruptcy shall, within the territorial limits of which they respectively have jurisdiction, (1) appoint referees, each for a term of two years, and may, in their discretion, re-

move them because their services are not needed or for other cause; and (2) designate, and from time to time change, the limits of the districts of referees, so that each county, where the services of a referee are needed, may constitute at least one district.

**SEC. 35. QUALIFICATIONS OF REFEREES.**—*a* Individuals shall not be eligible to appointment as referees unless they are respectively (1) competent to perform the duties of that office; (2) not holding any office of profit or emolument under the laws of the United States or of any State other than commissioners of deeds, justices of the peace, masters in chancery, or notaries public; (3) not related by consanguinity or affinity, within the third degree as determined by the common law, to any of the judges of the courts of bankruptcy or circuit courts of the United States, or of the justices or judges of the appellate courts of the districts wherein they may be appointed; and (4) residents of, or have their offices in, the territorial districts for which they are to be appointed.

**SEC. 36. OATHS OF OFFICE OF REFEREES.**—*a* Referees shall take the same oath of office as that prescribed for judges of United States courts.

**SEC. 37. NUMBER OF REFEREES.**—*a* Such number of referees shall be appointed as may be necessary to assist in expeditiously transacting the bankruptcy business pending in the various courts of bankruptcy.

**SEC. 38. JURISDICTION OF REFEREES.**—*a* Referees respectively are hereby invested, subject always to a review by the judge within the limits of their districts as established from time to time, with jurisdiction to (1) consider all petitions referred to them by the clerks and make the adjudications or dismiss the petitions; (2) exercise the powers vested in courts of bankruptcy for the administering of oaths to and the examination of persons as witnesses and for requiring the production of documents in proceedings before them, except the power of commitment; (3) exercise the powers of the judge for the taking possession and releasing of the property of the bankrupt in the event of the issuance by the clerk of a certificate showing the absence of a judge from the judicial district, or the division of the district, or his sickness, or inability to act; (4) perform such part of the duties, except as to questions arising out of the applications of bankrupts for compositions or discharges, as are by this act conferred on courts of bankruptcy and as shall be prescribed by rules or orders of the courts of bankruptcy of their respective districts, except as herein otherwise provided; and (5) during the examination of the bankrupt, or other proceedings, authorize the employment of stenographers for reporting and transcribing the proceedings at such reasonable expense to the estate as the court may fix.

**SEC. 39. DUTIES OF REFEREES.**—*a* Referees shall (1) declare dividends and prepare and deliver to trustees dividend sheets showing the dividends declared and to whom payable; (2) examine all schedules of property and lists of creditors filed by bankrupts and cause such as are incomplete or defective to be amended; (3) furnish such information concerning the estates in process of administration before them as may be requested by the parties in interest; (4) give notices to creditors as herein pro-

vided; (5) make up records embodying the evidence, or the substance thereof, as agreed upon by the parties in all contested matters arising before them, whenever requested to do so by either of the parties thereto, together with their findings therein, and transmit them to the judges; (6) prepare and file the schedules of property and lists of creditors required to be filed by the bankrupts, or cause the same to be done, when the bankrupts fail, refuse, or neglect to do so; (7) safely keep, perfect, and transmit to the clerks the records, herein required to be kept by them, when the cases are concluded; (8) transmit to the clerks such papers as may be on file before them whenever the same are needed in any proceedings in courts; and in like manner secure the return of such papers after they have been used, or, if it be impracticable to transmit the original papers, transmit certified copies thereof by mail; (9) upon application of any party in interest, preserve the evidence taken or the substance thereof as agreed upon by the parties before them when a stenographer is not in attendance; and (10) whenever their respective offices are in the same cities or towns where the courts of bankruptcy convene, call upon and receive from the clerks all papers filed in courts of bankruptcy which have been referred to them.

*b* Referees shall not (1) act in cases in which they are directly or indirectly interested; (2) practice as attorneys and counselors at law in any bankruptcy proceedings; or (3) purchase, directly or indirectly, any property of an estate in bankruptcy.

**SEC. 40. COMPENSATION OF REFEREES.**—*a* Referees shall receive as full compensation for their services, payable after they are rendered, a fee of fifteen dollars deposited with the clerk at the time the petition is filed in each case, except when a fee is not required from a voluntary bankrupt, and twenty-five cents for every proof of claim filed for allowance, to be paid from the estate, if any, as a part of the cost of administration, and from estates which have been administered before them one per centum commissions on all moneys disbursed to creditors by the trustee, or one-half of one per centum on the amount to be paid to creditors upon the confirmation of a composition.

*b* Whenever a case is transferred from one referee to another the judge shall determine the proportion in which the fee and commissions therefor shall be divided between the referees.

*c* In the event of the reference of a case being revoked before it is concluded, and when the case is specially referred, the judge shall determine what part of the fee and commission shall be paid to the referee.

**SEC. 41. CONTEMPTS BEFORE REFEREES.**—*a* A person shall not, in proceedings before a referee, (1) disobey or resist any lawful order, process, or writ; (2) misbehave during a hearing or so near the place thereof as to obstruct the same; (3) neglect to produce, after having been ordered to do so, any pertinent document; or (4) refuse to appear after having been subpoenaed, or, upon appearing, refuse to take the oath as a witness, or, after having taken the oath, refuse to be examined according to law: PROVIDED, That no person shall be required to attend as a witness before a referee at a place outside of the State of his residence, and more than one

hundred miles from such place of residence, and only in case his lawful mileage and fee for one day's attendance shall be first paid or tendered to him.

b The referee shall certify the facts to the judge, if any person shall do any of the things forbidden in this section. The judge shall thereupon, in a summary manner, hear the evidence as to the acts complained of, and, if it is such as to warrant him in so doing, punish such person in the same manner and to the same extent as for a contempt committed before the court of bankruptcy, or commit such person upon the same conditions as if the doing of the forbidden act had occurred with reference to the process of, or in the presence of, the court.

SEC. 42. RECORDS OF REFEREES.—a The records of all proceedings in each case before a referee shall be kept as nearly as may be in the same manner as records are now kept in equity cases in circuit courts of the United States.

b A record of the proceeding in each case shall be kept in a separate book or books, and shall, together with the papers on file, constitute the records of the case.

c The book or books containing a record of the proceedings shall, when the case is concluded before the referee, be certified to by him, and, together with such papers as are on file before him, be transmitted to the court of bankruptcy and shall there remain as a part of the records of the court.

SEC. 43. REFEREE'S ABSENCE OR DISABILITY.—a Whenever the office of a referee is vacant, or its occupant is absent or disqualified to act, the judge may act, or may appoint another referee, or another referee holding an appointment under the same court may, by order of the judge, temporarily fill the vacancy.

SEC. 44. APPOINTMENT OF TRUSTEES.—a The creditors of a bankrupt estate shall at their first meeting after the adjudication or after a vacancy has occurred in the office of trustee, or after an estate has been reopened, or after a composition has been set aside, or a discharge revoked, or if there is a vacancy in the office of trustee, appoint one trustee or three trustees of such estate. If the creditors do not appoint a trustee or trustees as herein provided, the court shall do so.

SEC. 45. QUALIFICATION OF TRUSTEES.—a Trustees may be (1) individuals who are respectively competent to perform the duties of that office, and reside or have an office in the judicial district within which they are appointed, or (2) corporations authorized by their charters or by law to act in such capacity and having an office in the judicial district within which they are appointed.

SEC. 46. DEATH OR REMOVAL OF TRUSTEES.—a The death or removal of a trustee shall not abate any suit or proceeding which he is prosecuting or defending at the time of his death or removal, but the same may be proceeded with or defended by his joint trustee or successor in the same manner as though the same had been commenced or was being defended by such joint trustee alone or by such successor.

SEC. 47. DUTIES OF TRUSTEES.—a Trustees shall respectively (1) account for and pay over to the estates under their control all interest received by them upon property of such estates,

(2) collect and reduce to money the property of the estates for which they are trustees, under the direction of the court, and close up the estate as expeditiously as is compatible with the best interests of the parties in interest; and such trustees, as to all property in the custody or coming into the custody of the bankruptcy court, shall be deemed vested with all the rights, remedies, and powers of a creditor holding a lien by legal or equitable proceedings thereon; and also, as to all property not in the custody of the bankruptcy court, shall be deemed vested with all the rights, remedies, and powers of a judgment creditor holding an execution duly returned unsatisfied; (3) deposit all money received by them in one of the designated depositories; (4) disburse money only by check or draft on the depositories in which it has been deposited; (5) furnish such information concerning the estates of which they are trustees and their administration as may be requested by parties in interest; (6) keep regular accounts showing all amounts received and from what sources and all amounts expended and on what accounts; (7) lay before the final meeting of the creditors detailed statements of the administration of the estate; (8) make final reports and file final accounts with the courts fifteen days before the days fixed for the final meetings of the creditors; (9) pay dividends within ten days after they are declared by the referees; (10) report to the courts, in writing, the condition of the estates and the amounts of money on hand, and such other details as may be required by the courts, within the first month after their appointment and every two months thereafter, unless otherwise ordered by the courts; and (11) set apart the bankrupt's exemptions and report the items and estimated value thereof to the court as soon as practicable after their appointment.

b Whenever three trustees have been appointed for an estate, the concurrence of at least two of them shall be necessary to the validity of their every act concerning the administration of the estate.

c The trustee shall, within thirty days after the adjudication, file a certified copy of the decree of adjudication in the office where conveyances of real estate are recorded in every county where the bankrupt owns real estate not exempt from execution, and pay the fee for such filing, and he shall receive a compensation of fifty cents for each copy so filed, which, together with the filing fee, shall be paid out of the estate of the bankrupt as a part of the cost and disbursements of the proceedings.

SEC. 48. COMPENSATION OF TRUSTEES, RECEIVERS AND MARSHALS.—a Trustees shall receive for their services, payable after they are rendered, a fee of five dollars deposited with the clerk at the time the petition is filed in each case, except when a fee is not required from a voluntary bankrupt, and such commissions on all moneys disbursed or turned over to any person, including lien holders, by them, as may be allowed by the courts, not to exceed six per centum on the first five hundred dollars or less, four per centum on moneys in excess of five hundred dollars and less than fifteen hundred dollars, two per centum on moneys in excess of ten thousand dollars, and one per centum on moneys in excess of ten thousand dollars. And in case of the confirmation of a composition after the trustee has qualified the court may allow him, as compensation, not to exceed one-half of one per centum of the amount to be paid the creditors on such composition.

b In the event of an estate being administered by three trustees instead of one trustee or by successive trustees, the court shall apportion the fees and commissions between them according to the services actually rendered, so that there shall not be paid to trustees for the administering of any estate a greater amount than one trustee would be entitled to.

c The court may in its discretion, withhold all compensation from any trustee who has been removed for cause.

d Receivers or marshals appointed pursuant to section two, subdivision three, of this act shall receive for their services, payable after they are rendered, compensation by way of commission upon the moneys disbursed or turned over to any person, including lien holders, by them, and also upon the moneys turned over by them or afterwards realized by the trustees from property turned over in kind by them to the trustees, as the court may allow, not to exceed six per centum on the first five hundred dollars or less, four per centum on moneys in excess of five hundred dollars and less than one thousand five hundred dollars, two per centum on moneys in excess of one thousand five hundred dollars and less than one thousand five hundred dollars, and one per centum on moneys in excess of ten thousand dollars: Provided, That in case of the confirmation of a composition such commissions shall not exceed one-half of one per centum of the amount to be paid creditors on such compositions: Provided further, That when the receiver or marshal acts as a mere custodian and does not carry on the business of the bankrupt as provided in clause five of section two of this act, he shall not receive nor be allowed in any form or guise more than two per centum on the first thousand dollars or less, and one-half of one per centum on all above one thousand dollars on moneys disbursed by him or turned over by him to the trustee and on moneys subsequently realized from property turned over by him in kind to the trustee: Provided further, That before the allowance of compensation notice of application therefor, specifying the amount asked, shall be given to creditors in the manner indicated in section fifty-eight of this act.

e Where the business is conducted by trustees, marshals, or receivers, as provided in clause five of section two of this act, the court may allow such officers additional compensation for such services by way of commissions upon the moneys disbursed or turned over to any person, including lien holders, by them, and, in cases of receivers or marshals, also upon the moneys turned over by them or afterwards realized by the trustees from property turned over in kind by them to the trustees; such commissions not to exceed six per centum on the first five hundred dollars or less, four per centum on moneys in excess of five hundred dollars and less than one thousand five hundred dollars, two per centum on moneys in excess of one thousand five hundred dollars and less than ten thousand dollars, and one per centum on moneys in excess of ten thousand dollars: Provided, That in case of the confirmation of a composition such commissions shall not exceed one-half of one per centum of the amount to be paid credit-

ors on such composition; Provided further, That before the allowance of compensation notice of application therefor, specifying the amount asked, shall be given to creditors in the manner indicated in section fifty-eight of this act.

SEC. 49. ACCOUNTS AND PAPERS OF TRUSTEES.—*a* The accounts and papers of trustees shall be opened to the inspection of officers and all parties in interest.

SEC. 50. BONDS OF REFEREES AND TRUSTEES.—*a* Referees, before assuming the duties of their offices, and within such time as the district courts of the United States having jurisdiction shall prescribe, shall respectively qualify by entering into bond to the United States in such sum as shall be fixed by such courts, not to exceed five thousand dollars, with such sureties as shall be approved by such courts, conditioned for the faithful performance of their official duties.

*b* Trustees, before entering upon the performance of their official duties, and within ten days after their appointment, or within such further time, not to exceed five days, as the court may permit, shall respectively qualify by entering into bond to the United States, with such sureties as shall be approved by the courts, conditioned for the faithful performance of their official duties.

*c* The creditors of a bankrupt estate, at their first meeting after the adjudication, or after a vacancy has occurred in the office of trustee, or after an estate has been reopened, or after a composition has been set aside or a discharge revoked, if there is a vacancy in the office of trustee, shall fix the amount of the bond of the trustee; they may at any time increase the amount of the bond. If the creditors do not fix the amount of the bond of the trustee as herein provided the court shall do so.

*d* The court shall require evidence as to the actual value of the property of sureties.

*e* There shall be at least two sureties upon each bond.

*f* The actual value of the property of the sureties, over and above their liabilities and exemptions, on each bond shall equal at least the amount of such bond.

*g* Corporations organized for the purpose of becoming sureties upon bonds, or authorized by law to do so, may be accepted as sureties upon the bonds of referees and trustees whenever the courts are satisfied that the rights of all parties in interest will be thereby amply protected.

*h* Bonds of referees, trustees, and designated depositories shall be filed of record in the office of the clerk of the court and may be sued upon in the name of the United States for the use of any person injured by a breach of their conditions.

*i* Trustees shall not be liable, personally or on their bonds, to the United States, for any penalties or forfeitures incurred by the bankrupts under this act, of whose estates they are respectively trustees.

*j* Joint trustees may give joint or several bonds.

*k* If any referee or trustee shall fail to give bond, as herein provided and within the time limited, he shall be deemed to have declined his appointment, and such failure shall create a vacancy in his office.

*l* Suits upon referees' bonds shall not be brought subsequent to two years after the alleged breach of the bond.

*m* Suits upon trustees' bonds shall not be brought subsequent to two years after the estate has been closed.

SEC. 51. DUTIES OF CLERKS.—*a* Clerks shall respectively (1) account for, as for other fees received by them, the clerk's fee paid in each case and such other fees as may be received for certified copies of records which may be prepared for persons other than officers; (2) collect the fees of the clerk, referee, and trustee in each case instituted before filing the petition, except the petition of a proposed voluntary bankrupt which is accompanied by an affidavit stating that the petitioner is without, and can not obtain, the money with which to pay such fees; (3) deliver to the referees upon application all papers which may be referred to them, or, if the offices of such referees are not in the same cities or towns as the offices of such clerks, transmit such papers by mail, and in like manner return papers which were received from such referees after they have been used; (4) and within ten days after each case has been closed pay to the referee, if the case was referred, the fee collected for him, and to the trustee the fee collected for him at the time of filing the petition.

SEC. 52. COMPENSATION OF CLERKS AND MARSHALS.—*a* Clerks shall respectively receive as full compensation for their service to each estate, a filing fee of ten dollars, except when a fee is not required from a voluntary bankrupt.

*b* Marshals shall respectively receive from the estate where an adjudication in bankruptcy is made, except as herein otherwise provided, for the performance of their services in the proceedings in bankruptcy, the same fees, and account for them in the same way, as they are entitled to receive for the performance of the same or similar services in other cases in accordance with laws now in force, or such as may be hereafter enacted, fixing the compensation of marshals.

SEC. 53. DUTIES OF ATTORNEY-GENERAL.—*a* The Attorney-General shall annually lay before Congress statistical tables showing for the whole country, and by States, the number of cases during the year of voluntary and involuntary bankruptcy; the amount of the property of the estates; the dividends paid and the expenses of administering such estates; and such other like information as he may deem important.

SEC. 54. STATISTICS OF BANKRUPTCY PROCEEDINGS.—*a* Officers shall furnish in writing and transmit by mail such information as is within their knowledge and as may be shown by the records and papers in their possession, to the Attorney-General, for statistical purposes, within ten days after being requested by him to do so.

## CHAPTER VI. CREDITORS.

SEC. 55. MEETINGS OF CREDITORS.—*a* The court shall cause the first meeting of the creditors of a bankrupt to be held, not less than ten nor more than thirty days after the adjudication, at the county seat of the county in which the bankrupt has had his principal place of business, resided, or had his domicile; or if that place would be manifestly inconvenient as a place of meeting for the parties in interest, or if the bankrupt is one who does not do business, reside, or have his domicile within the United States, the court shall fix a place for the

meeting which is the most convenient for parties in interest. If such meeting should by any mischance not be held within such time, the court shall fix the date, as soon as may be thereafter, when it shall be held.

*b* At the first meeting of creditors the judge or referee shall preside, and, before proceeding with the other business, may allow or disallow the claims of creditors there presented, and may publicly examine the bankrupt or cause him to be examined at the instance of any creditor.

*c* The creditors shall at each meeting take such steps as may be pertinent and necessary for the promotion of the best interests of the estate and the enforcement of this act.

*d* A meeting of creditors, subsequent to the first one, may be held at any time and place when all of the creditors who have secured the allowance of their claims sign a written consent to hold a meeting at such time and place.

*e* The court shall call a meeting of creditors whenever one-fourth or more in number of those who have proven their claims shall file a written request to that effect; if such request is signed by a majority of such creditors, which number represents a majority in amount of such claims, and contains a request for such meeting to be held at a designated place, the court shall call such meeting at such place within thirty days after the date of the filing of the request.

*f* Whenever the affairs of the estate are ready to be closed a final meeting of creditors shall be ordered.

SEC. 56. VOTERS AT MEETINGS OF CREDITORS.—*a* Creditors shall pass upon matters submitted to them at their meetings by a majority vote in number and amount of claims of all creditors whose claims have been allowed and are present, except as herein otherwise provided.

*b* Creditors holding claims which are secured or have priority shall not, in respect to such claims, be entitled to vote at creditors' meetings, nor shall such claims be counted in computing either the number of creditors or the amount of their claims, unless the amounts of such claims exceed the value of such securities or priorities, and then only for such excess.

SEC. 57. PROOF AND ALLOWANCE OF CLAIMS.—*a* Proof of claims shall consist of a statement under oath, in writing, signed by a creditor setting forth the claim, the consideration therefor, and whether any, and, if so what, securities are held therefor, and whatever any, and, if so what, payments have been made thereon, and that the sum claimed is justly owing from the bankrupt to the creditor.

*b* Whenever a claim is founded upon an instrument of writing, such instrument, unless lost or destroyed, shall be filed with the proof of claim. If such instrument is lost or destroyed, a statement of such fact and of the circumstances of such loss or destruction shall be filed under oath with the claim. After the claim is allowed or disallowed, such instrument may be withdrawn by permission of the court, upon leaving a copy thereof on file with the claim.

*c* Claims after being proved may, for the purpose of allowance, be filed by the claimants in the court where the proceedings are pending or before the referee of the case has been referred.

*d* Claims which have been duly proved shall be allowed, upon receipt by or up-

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on presentation to the court, unless objection to their allowance shall be made by parties in interest, or their consideration be continued for cause by the court upon its own motion.

*e* Claims of secured creditors and those who have priority may be allowed to enable such creditors to participate in the proceeding at creditors' meetings held prior to the determination of the value of their securities or priorities, but shall be allowed for such sums only as to the courts seem to be owing over and above the value of their securities or priorities.

*f* Objections to claims shall be heard and determined as soon as the convenience of the court and the best interests of the estates and the claimants will permit.

*g* The claims of creditors who have received preferences, voidable under section sixty, subdivision *b*, or to whom conveyances, transfers, assignments, or incumbrances, void or voidable under section sixty-seven, subdivision *e*, have been made or given, shall not be allowed unless such creditors shall surrender such preferences, conveyances, transfers, assignments, or incumbrances.

*h* The value of securities held by secured creditors shall be determined by converting the same into money according to the terms of the agreement pursuant to which such securities were delivered to such creditors or by such creditors and the trustee, by agreement, arbitration, compromise, or litigation, as the court may direct, and the amount of such value shall be credited upon such claims, and a dividend shall be paid only on the unpaid balance.

*i* Whenever a creditor, whose claim against a bankrupt estate is secured by the individual undertaking of any person, fails to prove such claim, such person may do so in the creditor's name, and if he discharge such undertaking in whole or in part he shall be subrogated to that extent to the rights of the creditor.

*j* Debts owing to the United States, a State, county, a district or a municipality as a penalty or forfeiture shall not be allowed, except for the amount of the pecuniary loss sustained by the act, transaction, or proceeding out of which the penalty or forfeiture arose, with reasonable and actual costs occasioned thereby and such interest as may have accrued thereon according to law.

*k* Claims which have been allowed may be reconsidered for cause and readmitted or rejected in whole or in part, according to the equities of the case, before but not after the estate has been closed.

*l* Whenever a claim shall have been reconsidered and rejected, in whole or in part, upon which a dividend has been paid, the trustee may recover from the creditor the amount of the dividend received upon the claim if rejected in whole, or the proportional part thereof if rejected only in part.

*m* The claim of any estate which is being administered in bankruptcy against any like estate may be proved by the trustee and allowed by the court in the same manner and upon like terms as the claims of other creditors.

*n* Claims shall not be proved against a bankrupt estate subsequent to six months after the adjudication; or if they are liquidated by litigation and the final judgment therein is rendered within thirty days before or after the expiration of such time, then within sixty days after the rendition of such judgment: PROVIDED, That the right of infants and insane persons without guardians, without notice of the proceedings, may continue six months longer.

**SEC. 58. NOTICES TO CREDITORS.**—*a* Creditors shall have at least ten days' notice by mail to their respective addresses as they appear in the list of creditors of the bankrupt, or as afterwards filed with the papers in the case by the creditors, unless they waive notice in writing, of (1) all examinations of bankrupt; (2) all hearings upon applications for the confirmation of compositions; (3) all meetings of creditors; (4) all proposed sales of property; (5) the declaration and time of payment of dividends; (6) the filing of the final accounts of the trustees, and the time when and the place where they will be examined and passed upon; (7) the proposed compromise of any controversy; (8) the proposed dismissal of the proceedings, and (9) there shall be thirty days' notice of all applications for the discharge of bankrupts.

*b* Notice to creditors of the first meeting shall be published at least once and may be published such number of additional times as the court may direct; the last publication shall be at least one week prior to the date fixed for the meeting. Other notices may be published as the court shall direct.

*c* All notices shall be given by the referee, unless otherwise ordered by the judge.

**SEC. 59. WHO MAY FILE AND DISMISS PETITIONS.**—*a* Any qualified person may file a petition to be adjudged a voluntary bankrupt.

*b* Three or more creditors who have provable claims against any person which amount in the aggregate, in excess of the value of securities held by them, if any, to five hundred dollars or over; or if all of the creditors of such person are less than twelve in number, then one of such creditors whose claim equals such amount may file a petition to have him adjudged a bankrupt.

*c* Petitions shall be filed in duplicate, one copy for the clerk and one for service on the bankrupt.

*d* If it be averred in the petition that the creditors of the bankrupt are less than twelve in number, and less than three creditors have joined as petitioners therein, and the answer avers the existence of a larger number of creditors, there shall be filed with the answer a list under oath of all the creditors, with their addresses, and thereupon the court shall cause all such creditors to be notified of the pendency of such petition and shall delay the hearing upon such petition for a reasonable time, to the end that parties in interest shall have an opportunity to be heard; if upon such hearing it shall appear that a sufficient number have joined in such petition, or if prior to or during such hearing a sufficient number shall join therein, the case may be proceeded with, but otherwise it shall be dismissed.

*e* In computing the number of creditors of a bankrupt for the purpose of determining how many creditors must join in the petition, such creditors as were employed by him at the time of the filing of the petition or are related to him by consanguinity or affinity within the third degree, as determined by the common law, and have not joined in the petition, shall not be counted.

*f* Creditors other than original petitioners may at any time enter their appearance and join the petition, or file an answer and be heard in opposition to the prayer of the petition.

*g* A voluntary or involuntary petition shall not be dismissed by the petitioner or

petitioners or for want of prosecution or by consent of parties until after notice to the creditors, and to that end the court shall, before entertaining an application for dismissal, require the bankrupt to file a list, under oath, of all his creditors, with their addresses, and shall cause notice to be sent to all such creditors of the pendency of such application, and shall delay the hearing thereon for a reasonable time to allow all creditors and parties in interest opportunity to be heard.

**SEC. 60. PREFERRED CREDITORS.**—*a* A person shall be deemed to have been given a preference, if, being insolvent, he has, within four months before the filing of the petition, or after the filing of the petition and before the adjudication, procured or suffered a judgment to be entered against himself in favor of any person, or made a transfer of any of his property, and the effect of the enforcement of such judgment or transfer will be to enable any one of his creditors to obtain a greater percentage of his debt than any other of such creditors of the same class. Where the preference consists in a transfer, such period of four months shall not expire until four months after the date of the recording or registering of the transfer, if by law such recording or registering is required or permitted.

*b* If a bankrupt shall have procured or suffered a judgment to be entered against him in favor of any person or have made a transfer of any of his property, and if, at the time of the transfer, or of the entry of the judgment, or of the recording or registering of the transfer if by law recording or registering thereof is required, and being within four months before the filing of the petition in bankruptcy or after the filing thereof and before the adjudication, the bankrupt be insolvent and the judgment or transfer then operate as a preference, and the person receiving it or to be benefited thereby, or his agent acting therein, shall then have reasonable cause to believe that the enforcement of such judgment or transfer would effect a preference, it shall be voidable by the trustee and he may recover the property or its value from such person. And for the purpose of such recovery any court of bankruptcy, as hereinbefore defined, and any State court which would have had jurisdiction if bankruptcy had not intervened, shall have concurrent jurisdiction.

*c* If a creditor has been preferred, and afterwards in good faith gives the debtor further credit without security of any kind for property which becomes a part of the debtor's estates, the amount of such new credit remaining unpaid at the time of the adjudication in bankruptcy may be set off against the amount which would otherwise be recoverable from him.

*d* If a debtor shall, directly or indirectly, in contemplation of the filing of a petition by or against him, pay money or transfer property to an attorney and counselor at law, solicitor in equity, or proctor in admiralty for services to be rendered, the transaction shall be re-examined by the court on petition of the trustee or any creditor and shall only be held valid to the extent of a reasonable amount to be determined by the court, and the excess may be recovered by the trustee for the benefit of the estate.

## CHAPTER VII. ESTATES.

**SEC. 61. DEPOSITORIES FOR MONEY.**—*a* Courts of bankruptcy shall designate, by order, banking institutions

as depositories for money of bankrupt estates, as convenient as may be to the residences of trustees, and shall require bonds to the United States, subject to their approval, to be given by such banking institutions, and may from time to time as occasion may require, by like order increase the number of depositories or the amount of any bond or change such depositories.

SEC. 62. EXPENSES OF ADMINISTERING ESTATES.—*a* The actual and necessary expenses incurred by officers in the administration of estates shall, except where other provisions are made for their payment, be reported in detail, under oath, and examined and approved or disapproved by the court. If approved, they shall be paid or allowed out of the estates in which they were incurred.

SEC. 63. DEBTS WHICH MAY BE PROVED.—*a* Debts of the bankrupt may be proved and allowed against his estate which are (1) a fixed liability, as evidenced by a judgment or an instrument in writing, absolutely owing at the time of the filing of the petition against him, whether then payable or not, with any interest thereon which would have been recoverable at that date or with a rebate of interest upon such as were not then payable and did not bear interest; (2) due as costs taxable against an involuntary bankrupt who was at the time of the filing of the petition against him plaintiff in a cause of action which would pass to the trustee and which the trustee declines to prosecute after notice; (3) founded upon a claim for taxable costs incurred in good faith by a creditor before the filing of the petition in an action to recover a provable debt; (4) founded upon an open account, or upon a contract express or implied; and (5) founded upon provable debts reduced to judgments after the filing of the petition and before the consideration of the bankrupt's application for a discharge, less costs incurred and interest accrued after the filing of the petition and up to the time of the entry of such judgments.

*b* Unliquidated claims against the bankrupt may, pursuant to application to the court, be liquidated in such manner as it shall direct, and may thereafter be proved and allowed against his estate.

SEC. 64. DEBTS WHICH HAVE PRIORITY.—*(a)* *The court shall order the trustee to pay all taxes, legally due and owing by the bankrupt to the United States, State, county, district, or municipality, in the order of priority as set forth in paragraph (b) hereof: Provided, That no order shall be made for the payment of a tax assessed against real estate of a bankrupt in excess of the value of the interest of the bankrupt estate therein as determined by the court. Upon filing the receipts of the proper public officers for such payments the trustee shall be credited with the amounts thereof, and in case any question arises as to the amount or legality of any such tax the same shall be heard and determined by the court.*

*b* *The debts to have priority, in advance of the payment of dividends to creditors, and to be paid in full out of bankrupt estates, and the order of payment shall be (1) the actual and necessary cost of preserving the estate subsequent to filing the petition; (2) the filing fees paid by creditors in involuntary cases, and, where property of the bankrupt, transferred or concealed by him either before or after the filing of the petition, shall have been recovered for*

*the benefit of the estate of the bankrupt by the efforts and at the expense of one or more creditors, the reasonable expense of such recovery; (3) the cost of administration, including the fees and mileage payable to witnesses as now or hereafter provided by the laws of the United States, and one reasonable attorney's fee, for the professional services actually rendered, irrespective of the number of attorneys employed, to the petitioning creditors in involuntary cases, while performing the duties herein prescribed, and to the bankrupt in voluntary and involuntary cases, as the court may allow; (4) where the confirmation of composition terms has been refused or set aside upon the objection and through the efforts and at the expense of one or more creditors, in the discretion of the court, the reasonable expenses of such creditors in opposing such composition; (5) wages due to workmen, clerks, traveling or city salesmen, or servants which have been earned within three months before the date of the commencement of proceedings, not to exceed six hundred dollars to each claimant; and (6) taxes payable under paragraph (a) hereof and (7) debts owing to any person who by the laws of the States or the United States is entitled to priority: Provided, That the term "person" as used in this section shall include corporations, the United States and the several States and Territories of the United States.*

*c* In the event of the confirmation of a composition being set aside, or a discharge revoked, the property acquired by the bankrupt in addition to his estate at the time the composition was confirmed or the adjudication was made shall be applied to the payment in full of the claims of creditors for property sold to him on credit, in good faith, while such composition or discharge was in force, and the residue, if any, shall be applied to the payment of the debts which were owing at the time of the adjudication.

SEC. 65. DECLARATIONS AND PAYMENT OF DIVIDENDS.—*a* Dividends of an equal per centum shall be declared and paid on all allowed claims, except such as have priority or are secured.

*b* The first dividend shall be declared within thirty days after the adjudication, if the money of the estate in excess of the amount necessary to pay the debts which have priority and such claims as have not been, but probably will be, allowed equals five per centum or more of such allowed claims. Dividends subsequent to the first shall be declared upon like terms as the first and as often as the amount shall equal ten per centum or more and upon closing the estate. Dividends may be declared oftener and in smaller proportions if the judge shall so order: *Provided, That the first dividend shall not include more than fifty per centum of the money of the estate in excess of the amount necessary to pay the debts which have priority and such claims as probably will be allowed; And provided further, That the final dividend shall not be declared within three months after the first dividend shall be declared.*

*c* The rights of creditors who have received dividends, or in whose favor final dividends have been declared, shall not be affected by the proof and allowance of claims subsequent to the date of such payment or declarations of dividends; but the creditors proving and securing the allowance of such claims shall be paid dividends equal in amount to those already received by the other creditors if the estate equals so much before such other creditors are paid any further dividends.

*d* Whenever a person shall have been adjudged a bankrupt by a court without the United States and also by a court of bankruptcy, creditors residing within the United States shall first be paid a dividend equal to that received in the court without the United States by other creditors before creditors who have received a dividend in such court shall be paid any amounts.

*e* A claimant shall not be entitled to collect from a bankrupt estate any greater amount than shall accrue pursuant to the provisions of this act.

SEC. 66. UNCLAIMED DIVIDENDS.—*a* Dividends which remain unclaimed for six months after the final dividend has been declared shall be paid by the trustee into court.

*b* Dividends remaining unclaimed for one year shall, under the direction of the court, be distributed to the creditors whose claims have been allowed but not paid in full, and after such claims have been paid in full the balance shall be paid to the bankrupt: *Provided, That in case unclaimed dividends belong to minors such minors may have one year after arriving at majority to claim such dividends.*

SEC. 67. LIENS.—*a* Claims which for want of record or for other reasons would not have been valid liens as against the claims of the creditors of the bankrupt shall not be liens against his estate.

*b* Whenever a creditor is prevented from enforcing his rights as against a lien created, or attempted to be created, by his debtor, who afterwards becomes a bankrupt, the trustee of the estate of such bankrupt shall be subrogated to and may enforce such rights of such creditor for the benefit of the estate.

*c* A lien created by or obtained in or pursuant to any suit or proceeding at law or in equity, including an attachment upon mesne process or a judgment by confession, which was begun against a person within four months before the filing of a petition in bankruptcy by or against such person shall be dissolved by the adjudication of such person to be a bankrupt if (1) it appears that said lien was obtained and permitted while the defendant was insolvent and that its existence and enforcement will work a preference, or (2) the party or parties to be benefited thereby had reasonable cause to believe the defendant was insolvent and in contemplation of bankruptcy, or (3) that such lien was sought and permitted in fraud of the provisions of this act; or if the dissolution of such lien would militate against the best interests of the estate of such person the same shall not be dissolved, but the trustee of the estate of such person, for the benefit of the estate, shall be subrogated to the rights of the holder of such lien and empowered to perfect and enforce the same in his name as trustee with the like force and effect as such holder might have done had not bankruptcy proceedings intervened.

*d* Liens given or accepted in good faith and not in contemplation of or in fraud upon this act, and for a present consideration, which have been recorded according to law, if record thereof was necessary in order to impart notice, shall, to the extent of such present consideration only, not be affected by this act.

*e* That all conveyances, transfers, assignments, or incumbrances of his property, or any part thereof, made or given by a person adjudged a bankrupt under the provisions of this act subsequent to the passage of this act and within four

months prior to the filing of the petition, with the intent and purpose on his part to hinder, delay, or defraud his creditors, or any of them, shall be null and void as against the creditors of such debtor, except as to purchasers in good faith and for a present fair consideration; and all property of the debtor conveyed, transferred, assigned, or encumbered as aforesaid shall, if he be adjudged a bankrupt, and the same is not exempt from execution and liability for debts by the law of his domicile, be and remain a part of the assets and estate of the bankrupt and shall pass to his said trustee, whose duty it shall be to recover and reclaim the same by legal proceedings or otherwise for the benefit of the creditors. And all conveyances, transfers, or incumbrances of his property made by a debtor at any time within four months prior to the filing of the petition against him, and while insolvent, which are held null and void as against the creditors of such debtor by the laws of the State, Territory, or District in which such property is situate, shall be deemed null and void under this act against the creditors of such debtor if he be adjudged a bankrupt, and such property shall pass to the assignee [trustee] and be by him reclaimed and recovered for the benefit of the creditors of the bankrupt. For the purpose of such recovery any court of bankruptcy as hereinbefore defined, and any State court which would have had jurisdiction if bankruptcy had not intervened, shall have concurrent jurisdiction.

f That all levies, judgments, attachments, or other liens, obtained through legal proceedings against a person who is insolvent, at any time within four months prior to the filing of a petition in bankruptcy against him, shall be deemed null and void in case he is adjudged a bankrupt, and the property affected by the levy, judgment, attachment, or other lien shall be deemed wholly discharged and released from the same, and shall pass to the trustee as a part of the estate of the bankrupt, unless the court shall, on due notice, order that the right under such levy, judgment, attachment, or other lien shall be preserved for the benefit of the estate; and thereupon the same may pass to and shall be preserved by the trustee for the benefit of the estate as aforesaid. And the court may order such conveyance as shall be necessary to carry the purposes of this section into effect: PROVIDED, That nothing herein contained shall have the effect to destroy or impair the title obtained by such levy, judgment, attachment, or other lien, of a bona fide purchaser for value who shall have acquired the same without notice or reasonable cause for inquiry.

SEC. 68. SET-OFFS AND COUNTER CLAIMS.—a In all cases of mutual debts or mutual credits between the estate of a bankrupt and a creditor the account shall be stated and one debt shall be set off against the other, and the balance only shall be allowed or paid.

b A set-off or counterclaim shall not be allowed in favor of any debtor of the bankrupt which (1) is not provable against the estate; or (2) was purchased by or transferred to him after the filing of the petition, or within four months before such filing, with a view to such use and with knowledge or notice that such bankrupt was insolvent, or had committed an act of bankruptcy.

SEC. 69. POSSESSION OF PROPERTY.—a A judge may, upon satisfactory proof, by affidavit, that a bankrupt against whom an involuntary petition has been filed and is pending has committed

an act of bankruptcy, or has neglected or is neglecting, or is about to so neglect his property that it has thereby deteriorated or is thereby deteriorating, or is about thereby to deteriorate in value, issue a warrant to the marshal to seize and hold it subject to further orders. Before such warrant is issued the petitioners applying therefor shall enter into a bond in such an amount as the judge shall fix, with such sureties as he shall approve, conditioned to indemnify such bankrupt for such damages as he shall sustain in the event such seizure shall prove to have been wrongfully obtained. Such property shall be released, if such bankrupt shall give bond in a sum which shall be fixed by the judge, with such sureties as he shall approve, conditioned to turn over such property, or pay the value thereof in money to the trustee, in the event he is adjudged a bankrupt pursuant to such petition.

#### SEC. 70. TITLE TO PROPERTY.—

a The trustee of the estate of a bankrupt, upon his appointment and qualification, and his successor or successors, if he shall have one or more, upon his or their appointment and qualification, shall in turn be vested by operation of law with the title of the bankrupt, as of the date he was adjudged a bankrupt, except in so far as it is to property which is exempt, to all (1) documents relating to his property; (2) interests in patents, patent rights, copyrights, and trade-marks, and in applications for patents, copyrights, and trade-marks: PROVIDED, That in case the trustee, within thirty days after appointment, does not notify the applicant for a patent, copyright, or trade-mark of his election to prosecute the application to allowance or rejection, the bankrupt may apply to the court for an order revesting him with the title thereto, which petition shall be granted, unless, for cause shown by the trustee, the court grants further time to the trustee for making such election; and such applicant may, in any event, at any time petition the court to be revested with such title in case the trustee shall fail to prosecute such application with reasonable diligence; and the court, upon revesting the bankrupt with such title, shall direct the trustee to execute proper instruments of transfer to make the same effective in law and upon the records; (3) powers which he might have exercised for his own benefit, but not those which he might have exercised for some other person; (4) property transferred by him in fraud of his creditors; (5) property which prior to the filing of the petition he could by any means have transferred or which might have been levied upon and sold under judicial process against him: PROVIDED, That when any bankrupt shall have any insurance policy which has a cash surrender value payable to himself, his estate, or personal representatives, he may, within thirty days after the cash surrender value has been ascertained and stated to the trustee by the company issuing the same, pay or secure to the trustee the sum so ascertained and stated, and continue to hold, own, and carry such policy free from the claims of the creditors participating in the distribution of his estate under the bankruptcy proceedings, otherwise the policy shall pass to the trustee as assets; and (6) rights of action arising upon contracts or from the unlawful taking or detention of, or injury to, his property.

b All real and personal property belonging to bankrupt estates shall be appraised by three disinterested appraisers; they shall be appointed by, and report to, the

court. Real and personal property shall, when practicable, be sold subject to the approval of the court; it shall not be sold otherwise than subject to the approval of the court for less than seventy-five per centum of its appraised value.

c The title to property of a bankrupt estate which has been sold, as herein provided, shall be conveyed to the purchaser by the trustee.

d Whenever a composition shall be set aside, or discharge revoked, the trustee shall, upon his appointment and qualification, be vested as herein provided with the title to all of the property of the bankrupt as of the date of the final decree setting aside the composition or revoking the discharge.

e The trustee may avoid any transfer by the bankrupt of his property which any creditor of such bankrupt might have avoided, and may recover the property so transferred, or its value, from the person to whom it was transferred, unless he was a bona fide holder for value prior to the date of the adjudication. Such property may be recovered or its value collected from whoever may have received it, except a bona fide holder for value. For the purpose of such recovery any court of bankruptcy as hereinbefore defined, and any State court which would have had jurisdiction if bankruptcy had not intervened, shall have concurrent jurisdiction.

f Upon the confirmation of a composition offered by a bankrupt, the title to his property shall thereupon vest in him.

SEC. 71: That the clerks of the several district courts of the United States shall prepare and keep in their respective offices complete and convenient indexes of all petitions and discharges in bankruptcy heretofore or hereafter filed in the said courts, and shall, when requested so to do, issue certificates of search certifying as to whether or not any such petitions or discharges have been filed; and said clerks shall be entitled to receive for such certificates the same fees as now allowed by law for certificates as to judgments in said courts: PROVIDED, That said bankruptcy indexes and dockets shall at all times be open to inspection and examination by all persons or corporations without any fee or charge therefor.

SEC. 72. That neither the referee, receiver, marshal, nor trustee shall in any form or guise receive, nor shall the court allow him, any other or further compensation for his services than that expressly authorized and prescribed in this act.

Sections 17, 18, 19 and 20 of the amendatory act of 1926 provide as follows:

Sec. 17. Nothing herein contained shall have the effect to release or extinguish any penalty, forfeiture, or liability incurred under any act or acts of which this act is amendatory.

Sec. 18. The provisions of this amendatory act shall govern proceedings, so far as practicable and applicable, in bankruptcy cases pending when it takes effect; but as to proceedings in cases pending when this act takes effect, to which the provisions of this amendatory act are not applicable, such proceedings shall be disposed of conformable to the provisions of said act approved July 1, 1898, and the acts amendatory thereof and supplementary thereto.

Sec. 19. All acts or parts of acts inconsistent with any provisions of this act are hereby repealed.

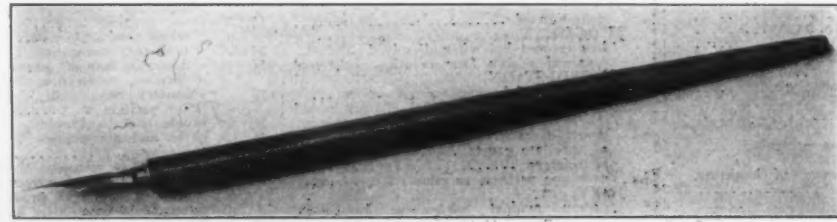
Sec. 20. This act shall take effect and be in force on and after three months from the date of its approval.

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Pen with which President Calvin Coolidge signed the Walsh-Michener Bill on May 27, 1926. Presented by the President to the National Association of Credit Men.



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# Fire Prevention

## Should Receive Active Co-operation of All Credit Executives

By Frank A. Fall, Litt. D.

Director of Education and Research, National Association of Credit Men  
Chairman, Committee on Fire Casualty Statistics, National Fire Waste Council

**S**OME of the most active and efficient men now engaged in educating the public in fire prevention methods have gone on record to the effect that no national organization has given them more loyal and intelligent support than has the National Association of Credit Men.

It is right that this should be so. The credit manager who does not understand the vital relation between fire prevention and credit work is very poorly equipped for his job. Some managers, it is true, still think that they have done their full duty concerning the fire problem when they have scanned the buyer's financial statement and ascertained that the fire insurance coverage appears to be adequate. But the high-power credit executive realizes that this is not enough,—that he must go far beyond the mere insurance aspect of the problem and ally himself actively with the agencies that are fighting fire waste at the point where it should be attacked, which is *before the fire starts*.

Fire prevention methods are improving at a very rapid pace. Educational work of the highest type is being carried on by such organizations as the National Fire Protection Association, the National Board of Fire Underwriters and the National Fire Waste Council, sponsored by the Chamber of Commerce of the United States.

A most ingenious and successful plan of education is that of the Fire Prevention Department of the Western Actuarial Bureau, with offices in Chicago. The photograph reproduced on this page was supplied by Richard E. Verner, Manager of the Fire Prevention Department of the Bureau. It shows "Smoky" Rogers known to thousands of American school children between the ages of 6 and 12 as "The Fire Clown." Harry K. Rogers is a trained engineer, but devotes a considerable part of his time to teaching the important lessons of fire hazards as they occur in connection with matches, ashes, gasoline, floor mops, rubbish and bonfires.

"Smoky" has an equipment which secures the immediate and complete attention of every child. It includes his grotesque clown make-up; his small red

automobile, fitted with fire-bell and siren like a fire chief's motor; and a large clock face which he uses to show that somewhere in the United States there is a fire every minute of the day.

Mr. Rogers tells the children that seven of every ten fires are caused by carelessness. He secures their promise that they will be particularly careful when using matches, or helping to burn leaves

for his teaching she would have burned to death. This one case, Mr. Rogers insists, repaid him fully for the many hours he has spent in the grease-paint and the costume of a clown.

The results of this novel educational plan indicate that it undoubtedly saves both lives and property. Mr. Rogers was called last year to Omaha, where there appeared to be an unusual number of fires

in dwelling-houses and apartments. "Smoky" gave his talk to a total of 30,000 school children and provided them with simple questionnaires on which to report possible fire hazards in their own homes. They reported more than 150,000 hazards which were checked and conditions were immediately remedied. As a result Fire Chief Dineen of Omaha now reports a 28 per cent reduction in the number of home fires occurring in the city.

This plan has been described at some length not because it is the only one or the most important one now being operated. There are many programs being carried through, many schemes for obtaining helpful publicity, many efforts to bring fire prevention to the public in such a way

that the problem cannot well be sidestepped. But this is one of the best, certainly one of the most graphic plans now being used to further the cause of fire prevention.

It is sincerely to be hoped that the credit fraternity will continue its active support of all fire prevention activities. Every intelligent citizen, in whatever line of work engaged, should be keenly alive to this problem and should do his part in attempting to solve it. Annual fire waste in the United States alone amounts to more than half a billion dollars in property destroyed, and probably about 17,000 lives. Accurate data on deaths and injuries caused by fire have not, up to now, been available. The annual loss of life has been variously estimated at from 5,000 to 30,000. A special Committee on Fire Casualty Statistics, appointed by the National Fire Waste Council, is now conducting a three-month's test in 14 states, which it is hoped will result in more accurate and dependable data than have been collected in the past.



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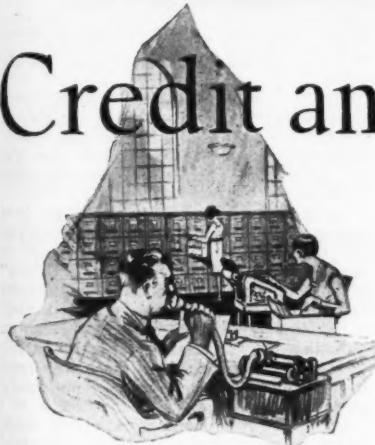
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The above is quoted from an eight-page booklet entitled "200,000 Bad Moral Risks" prepared and distributed from the booth pictured above by the "America Fore" group of Fire Insurance Companies at the thirty-first Annual Convention of Credit

Men, Hotel Commodore, New York. You will be interested in the story of the Insurance Credit Department now playing a vital part in correct underwriting practice. Send to the Credit Department for your copy.

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## The Business Library

By Frank A. Fall, Litt.D.

Director of Education and Research, Nat'l. Association of Credit Men

### Economic Problems of Today

ECONOMICS: PRINCIPLES AND PROBLEMS. Lionel D. Edie. Thomas Y. Crowell Co., N. Y. 1926. 799 pp. \$5. postage extra.

Treatises on economics are re-written rather than written. The authors themselves would not deny this; on the contrary, they would be the first to admit it, because they know, better than anybody else, that it is true.

Professor Edie, of Indiana University, has been busy for several years re-writing the principles of economics in the light of the progress that has been made in economic thought during the first quarter of the twentieth century. The results of his studies are now available in a sizable volume bearing the imprint of the publishing house of Crowell.

The book is divided into eight main sections. The first is introductory, defining the scope of economics and painting in the historical background of economic society. Part II deals with production and consumption; Part III with value and exchange, discussing the value concept, supply and demand, problems of the money economy and of valuation for purposes of investment, rate-making or price-fixing.

Part IV concerns distribution and related problems. This is the largest section of the book, and naturally one of the most important. In it Professor Edie deals with the theory of profit and risk-taking; principles and statistical analysis of capital and interest; principles of land returns; problems of agriculture; wages; labor conditions and problems; employer and employee relations; population and immigration; inequalities of ownership and income; and principles and problems of management.

In Part V the author deals with money, credit and banking. Credit managers will find the first chapter of this section (Chapter XXV) of particular interest. In this chapter Professor Edie traces the evolution of the acceptability of money as a medium of exchange, and indicates the qualities of a good money and reasons for the general acceptability of paper money. He then discusses coinage, kinds of money, legal tender, the functions of money, the controversy over the various standards, supply and demand in money, and the importance of price fluctuations. Other chapters in Part V treat of price movements, banking principles and practice, and the business cycle.

International economic relations are described in Part VI; government and taxation are discussed in Part VII; and Part VIII, concluding the volume, concerns public control, economic radicalism, works councils and labor unions.

Professor Edie's approach to his sub-

ject is well characterized in a brief foreword by Dr. Wesley C. Mitchell, Director of Research of the National Bureau of Economic Research. Remarking that there is no suggestion of a finished state in either economic science or economic institutions, he stresses the fact that Professor Edie shows his reader how to acquire knowledge rather than what to believe. The reviewer heartily concurs in Dr. Mitchell's opinion that every teacher who adopts this book for the use of his students will learn much from it himself, and that every layman who reads it will find that economics, even in its present stage, makes life more intelligible and more interesting.

### Lectures on Thrift

FINANCIAL INDEPENDENCE: HOW TO WIN IT. Harvey A. Blodgett. D. Appleton and Co., N. Y. 1926. 222 pp. \$1.50.

Every credit manager faces his own problem of "getting ahead" as, indeed, does every other man or woman who is dependent on individual effort for the necessities, the comforts and the luxuries of life.

It is difficult to determine just how potent the written word is in making people thrifty. That there is still a demand for Samuel Smiles' "Self-help" and the sayings of "Poor Richard" seems to indicate that somebody wants that particular form of inspirational literature. Whether the buyers get these books for themselves or to give to others who need to be encouraged in thrift is perhaps a question open to debate.

In any event here is a thrift book which contains many practical, workable suggestions. Mr. Blodgett's "Declaration of Independence" comprises ten chief points, and these summarize the message of the book so well and characterize it so completely that we will present them here substantially in the author's own words:

1. I will become independent. I will be a property owner. I will create investments from which I shall receive an income, beside the income from my personal toil. I will goal my achievement high. When my goal is reached, I will set another, higher one, and keep on.
2. I will learn to think straight. I will work out a plan for reaching my goal, follow it faithfully, and improve the plan as experience teaches me.
3. I will master the art of saving. I will have a saving plan and bank my savings regularly. I will take the fullest advantage of compound interest.
4. I will master the art of spending. I will limit my wants to increase my

(Continued on page 37)

## America's Place in the World

(Continued from page 7)

our country. So that foreign prosperity and foreign markets are directly related to home prosperity and home markets even though the relation may be so indirect that we are not conscious of it. South America and the Orient are great undeveloped markets for manufactured goods.

Mention any field of human activity anywhere and you will find that our country is related to it. That is why the enormous difference in the scale of living between the United States and the rest of the world cannot last. Theirs must go up and ours must go down. Not much perhaps, and even a little change may take time, but every year will find a closer approximation.

Time and manifest destiny will bring humanity closer together in ways of thinking and in ways of living.

### The Efficiency of Democracy

The dominant political idea in post-war Europe is autocracy. It is the era of dictators. Small groups or individuals dominate Russia, Poland, Turkey, Italy, Greece, Rumania, Hungary, Spain, Portugal. The United States is a democracy. We believe in the rule of the people. We stand for popular education, the creation of leaders from among the people, chosen by the suffrage of their fellows. It remains for us to prove that democracy can be made to work as efficiently as autocracy. That is the challenge we have thrown to the world.

We have a mission that goes beyond profits and prosperity. The war proved our capacity for leadership. It must not be denied in peace. Conscious of our strength, heeding our responsibility we must go forward, the helping hand extended, the warning finger raised, championing the ideals of brotherhood and freedom as the privilege of all mankind.

### German Business Conditions

(Continued from page 12)

work the land harder, they fertilize it harder, but in the matter of plant breeding and animal breeding and methods of research, they have not developed as far as we have. If they accomplish a fraction, even one-half of what these men think they will accomplish, you see they are going to cut down their imports tremendously. That is one of the reasons why I am optimistic about their ability to create an export surplus, for you can create an export surplus by cutting down imports as well as by increasing exports.

Now this is important for agriculture, but it is by no means the most important thing that is going on in Germany. It is a thing of quite a different order that is going on there.

The Germans had 2,000,000 people unemployed, supported by the state, last winter, in January and February—I think they still have about 1,750,000, or did have at the last report. There were some more partially employed. Tremendous unemployment.

One of the reasons was this: They found that when they got into the world market and tried to sell their goods, they couldn't produce them cheaply enough to meet foreign competition. That is a very strange thing, isn't it, in view of the fact that they are only paying \$10 a week for skilled labor—

that is all they are paying, 40 marks, and a mark is 23.8 cents.

### Inefficient Use of German Labor

You say, Do you mean to tell me that with wages at \$10 a week they can't compete with us Americans in any field, when we are paying \$40 a week. That is just exactly what I mean to say. And there is the nub of the German situation which most people have missed, and which is only now coming to find its way into the utterances on the part of German bankers and business men and analysts. Karl Koettgen, a very capable engineer, President of Siemens-Schuckert, that large electrical concern, put the thing very pointedly in his book, "The American Industrial System." He

starts right out by saying that there is something wrong with German industry, and the evidence is put in very commonsense terms.

He said, "Here we are in Germany paying \$10 a week for skilled labor, and there stands America paying \$35 to \$40 a week for skilled labor that is no better than this, and yet we go upon the markets of the world in the electrical industries, and we can only just compete with them. We go upon the markets of the world in the automobile industry, and we cannot meet their competition. They undersell us. There can be only one conclusion to which any sensible man can come on the face of those facts, and that conclusion is that we in Germany must be using labor very inefficiently." And that is just the conclusion to which

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 And such Shop Talk . . .  
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Ralph B. Dyer  
PRESIDENT

the Germans have come and they are remedying that situation.

Some one will say, Ah! but what about natural resources? Well, that some one, you see, went to college sometime ago and he believed everything he learned (which may have been true at the time) and he hasn't learned anything since. *Natural resources aren't the concern of the world any more.* All this talk about the power which a nation has because it has monopoly of natural resources and therefore all the other nations must fall behind it in the matter of progress; that America has natural resources and therefore America is in a powerful position, I think is a bit antiquated, somewhat obsolete.

#### *Behind the Times Technologically*

A year ago the Germans were all busy making themselves stocks of goods and clothes, and so forth. If you go to Germany today, the thing that impresses you first of all as against two years ago is the greatly improved appearance of the people. As long as they were making up, you see, that deficit of goods, as long as a man was buying some clothing for himself and his family, so that he looked respectable once more, German industry kept going, but when they were once thrown back upon the necessity of going into the foreign market and adjusting their prices to the prices there, when they were once face to face with the necessity of meeting the international price level, they couldn't meet it. And why? For this very simple reason. They were cut off for ten solid years, first by war and then by inflation of the currency, from the world price level and during that period they did not keep abreast at all of the technological processes of the inventions—the improvement in machinery, the improvement in management.

That comes as a great surprise to most Americans and to most Englishmen, for everywhere we have heard that during a period of inflation Germany greatly ex-

panded her plants when she got back to stable currency. Because of that fact she should have a great advantage in competition. She hasn't in most lines at all. Why? Because her plants are obsolete. That is why—or at least, they were obsolete two years ago in very many lines. Not in the chemical industry and certain other lines, but in the automobile industry and a great many lines, it is true that they fell clear behind in the great march of progress. It is the efficiency with which you use labor that gives a nation the advantage today. If you want proof of it, go to England and ask what is the matter there and you will quickly see where the trouble is. That is the situation in Germany. She was not getting enough production out of a unit of labor; neither were we in 1920.

#### *Studying American Methods*

The most amazing fact about American industry is that during 1919 when we took a census of manufacturers, and in 1925, we had increased the output of our factories by 25 to 30 per cent and have increased the laborers not at all. That is the most outstanding fact about American industry. That is what the Germans are learning. They have not done that. In very many lines they were less efficient in 1924 than they were in 1913. On the other hand, since 1913 we have made tremendous progress in improving and increasing the output per laborer. So the German is very busy these days and he has been busy for the last fifteen months. Doing what? He is coming to America and studying American industrial methods, not only machine methods, but management, and he is installing these methods in his factories.

Now that took capital, didn't it? Where did he get it? We loaned it to him! Numbers of us who didn't make him loans went over perhaps and bought some stocks and bonds, because we thought it was good business to do so,

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and it was. We furnished them the capital and they saved some more along with it and they are revising their whole industrial methods and their whole industrial machinery from top to bottom. They must if they are going to pay the reparations—and they are determined to pay them. They say the only way in which they regain their respectability is not to talk about cancelling debts, but to pay their obligations and they are going to pay them. So you see, they are under the necessity on the one hand, of decreasing their imports, and the one import that they can decrease is food products and they can do it by putting their idle people to producing things at home, and on the other hand, by increasing their exports (and the way they are going to do that is by putting the prices at the point where their goods will sell, tariff walls or no tariff walls.) Then, behind the lines, reorganizing their industries in such a manner that they shall use labor more efficiently. The German has labor at \$10.00 a week. He doesn't want to reduce those wages. He says they are low enough now and too low; they ought to be higher so that the common people can buy more and consume more, so they can get quantity production.

I went over personally the accounts of corporations asking for loans, in which I found that they were making one and one-quarter to one and one-half units of output for every unit of labor as against 1924. I remember very well the last one of those organizations that I went over—a sewing machine factory manufacturing for export 80 per cent. of its product. Their men were working only three days a week, but in the three days a week the men were making just as many sewing machines as they had eighteen months before in six days a week. That is what is going on in Germany. They have the low wages of \$10.00 a week, and their national honor is at stake. They must get an excess of exports over imports if they are going to pay the reparations and if they are going to keep the currency stable, and they mean to do it. They have the intelligence and they have the industry to do it. They need capital, but we are loaning them that. As I used to tell the Englishmen and the Frenchmen when they said, "How can you afford to do it?" I said, "That is our business and the Germans'. If we are willing to take the risk, all right."

Let me close with the thing I used to say to the Germans—a little high-flown, and yet it is a subject for a book, if someone would write it. When they would ask me about their situation I would try to sum it up this way:

"This is what I see. I see history repeating itself in Germany. From 1860—at that time you were a mere agricultural nation, to 1910, you passed from the stage of an agricultural nation to a great industrial manufacturing nation. How did you do it? You went over to England and you studied what we call the industrial revolution in England, all of the machine production methods, the application of power to the problems of industrial production; you studied their machines and you brought them into Germany and you set up factories and you imported the English industrial revolution into Germany. In those fifty years you had such an increase in production, such an increase in real wages, in the standard of living, such an advance as an industrial nation, as almost no nation has ever seen. In many lines you carried the

thing farther than England had carried it; you did it better than she did it, and that was your glory.

"Unfortunately you had an antiquated political system; you still had a ruling class with very special privileges, almost medieval, and you had a ruling family, exceedingly ambitious, with powers almost medieval. They couldn't resist the temptation to use this industrial well-being, this industrial power, (which you got by bringing in English industrial methods and western industrial methods,) for the advancement of a ruling class: and the result was war.

"As I see it today, we have in America developed a new technique for using labor and manufacturing goods which is far more efficient than that used anywhere else in the world. Our standard of living for the laborer is higher and

our hours for work are shorter. You are today in Germany engaged at transplanting, importing into Germany this new American industrial revolution, and if you do it successfully, you will again have a great outburst in well-being and in production and you will give the world such a romp in the competition for markets and in lower prices as it has not seen for two decades."

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**BANFILL, B. G.**, formerly of Dunkirk, Ohio. Now reported to be in Florida.

**BANKS BROTHERS**, recently located at 1719 Chestnut Street, Philadelphia, Pa.

**BARRETT, W. F. & COMPANY**, formerly doing business at 440 South Dearborn Street, Chicago, Ill.

**BEARDSLEY, W. L.**, formerly of 130 East Sandusky Avenue, Bellefontaine, Ohio.

**BECK, MARTIN**, formerly operated the Martin-Beck Electric Company, at 313 East Main Street South, Gainesville, Florida.

**BENEDICT, RAY**, previously located at 139 Boston Post Road, Larchmont, N. Y. Now reported to be in Chicago, Ill.

**BLOOM, WILLIAM**, operating as Bloom Heating Systems, formerly located at 245 West Broadway, New York City.

**BONHAM, J. W. COMPANY**, operated by J. W. Bonham and Channing Barr, at St. Petersburg, Florida.

**BROOKS, S. W.**, originally of 24 East State Street, Albion, N. Y. and latter of Kane, Pa. Now reported to be in St. Marys, Pa.

**CARTER, A. A.**, formerly of Mt. Clemens, Michigan. Now believed to be located at Miami, Florida.

**CENTRAL FOUNDRY CORPORATION**, formerly operated by a Mr. Kraus, at 652 77th Avenue, Milwaukee, Wisconsin.

**COHEN, MICHAEL**, recently operated the United Fabric Shops, at 1001 Central Avenue, Far Rockaway, N. Y.

**CORDE, MALCOM C.**, formerly operated the Corde Service Station, at 422 West Lincoln Avenue, Mt. Vernon, N. Y. Former residence, 189 West Sidney Avenue, Mt. Vernon, N. Y.

**DAVIDOWITZ, HARRY**, recently trading as The Square Deal Shop, at Scranton, Pa.

**EGYPTIAN SOAP PRODUCTS CORP.**, 27 Bridgewater Street, Brooklyn, N. Y.

**ELLMAN, SAMUEL**, formerly of 80 Maiden Lane, New York City.

**EPHRIAM, HARRY L.**, formerly conducted a stationery and cigar store, at 717 Flatbush Avenue, Brooklyn, N. Y.

**EVERBRITE PRODUCTS COMPANY**, formerly doing business at 2131 Giddings Street, Chicago, Ill.

**FEINBERG, TED**, formerly owner of the United Iron & Steel Company, Old Colony Building, Chicago, Ill.

**FOWLER, J. A.**, last known address Devol, Oklahoma.

**GENERAL FIXTURE COMPANY**, formerly located at 556 Milwaukee Avenue, Chicago, Ill.

**GENERAL INDUSTRIAL CHEMICAL CO.**, formerly doing business at 2274 Clybourn Avenue, Chicago, Ill.

**GITLOW, DAVID L.**, formerly at 5321 Edgemere Avenue, Edgemere, L. I.

**GOODYEAR SALES COMPANY**, recently operated by F. W. Bierman, at 149 New Montgomery Street, San Francisco, California.

**GOSREAU, MRS. PAULA**, formerly located at St. Louis, Mo.

**GRAMMER, CHARLES R.**, formerly at 3rd Avenue & Boardwalk, Asbury Park, N. J.

**GRAU, R.**, Proprietor, of the Em-Press Stationery, at 896 Westchester Avenue, New York City.

**GREGORY, RAYMOND F.**, of Lowell & Gregory, 81 Seventh Avenue, Brooklyn, N. Y.

**GUEST, S. D.**, recently at 606 West Walnut Street, Goldsboro, N. Carolina.

**HELLER, MAX**, formerly of Red Wing, Minnesota. Now reported to be in Miami, Florida.

**HENRIQUEZ, MRS. GRETCHEN**, formerly of 15 East Gunhill Road, New York City.

**HOUDINA, FRANCIS P.**, President of the Francis P. Houdina Company, formerly at 129 Mills Street, Atlanta, Georgia, and 1476 Broadway, New York City.

**JOHNSON, J. E.**, formerly located at Neosho, Missouri.

**KARAKUZIAN, S.**, formerly doing business at 1334 East 47th Street, Chicago, Ill.

**KARP, M. H.**, formerly operated the Albany Bargain House, at 68 Chapel Street, Albany, N. Y.

**KNICKERBOCKER MAIL ORDER COMPANY**, at one time operated at Somerville, Mass., by Timothy W. Brook, A. C. Belden, John F. Low, and C. D. Fletcher.

**LANCE MANUFACTURING COMPANY**, operated by L. Henryson, at 215 Centre Street, New York City.

**LEVINE, MORRIS**, 357 South 5th Street, Brooklyn, N. Y.

**LOWELL, FRANCIS X.**, of Lowell & Gregory, 81 Seventh Avenue, Brooklyn, N. Y.

**LUNAN, JACK C.**, formerly of Santa Barbara, California.

**MADRID GALLERIES**, operated by J. W. Bonham and Channing Barr, at St. Petersburg, Florida.

**MARBENK COMPANY INC.**, 1674 Broadway and 218 Nagle Avenue, New York City.

**MAYER, SIDNEY H.**, operated the Joida Manufacturing Company, at 248 Lafayette Street, 102 Norfolk Street, 113 Clinton Street, 49 East Houston Street, New York City, and 166 Myrtle Avenue, Brooklyn, N. Y.

**MENCHER, FRED**, formerly president of the Western Clothing Manufacturing Co. Inc., at 716 Washington Avenue, St. Louis, Mo.

**MEYER, C. J.**, formerly in business at 2889 Valentine Avenue, New York City. Last known address Monterey Hotel, Chicago, Ill.

**NELSON, V. J.**, Rose Hill, Virginia.

**NOBLE, WILLIAM**, 237 Lafayette Street, New York City.

**OAKLEY, R. L.**, last heard of in Pasadena, California.

**OHARA, JAMES**, last heard from at Peoria, Illinois.

**OLKES, SAMUEL**, trading as the Miracle Radio Company, formerly at 43 West Orange Street, Lancaster, Pa.

**PALMER, FRANK**, formerly located at 345 Lafayette Street, 41 Bleecker Street, and 39 St. Jones Street, New York City.

**PETZENBERGER, ADOLPH**, formerly of 2831 Oakley Avenue, Kansas City, Missouri.

**RAILEAUN, MARCEL**, 307 West 106th Street, New York City.

**RAPPAPORT, HARRY**, recently operated the Three Star Produce Company, Inc., at 801 Washington Avenue, Brooklyn, N. Y.

**RAUCH, HARRY**, formerly located in Cincinnati, Ohio, and Chicago, Ill.

**READING SPECIALTIES COMPANY**, formerly of 80 Marcy Avenue, Brooklyn, N. Y.

**REED, RUSSELL**, 1012 East Broadway, Council Bluffs, Iowa.

**RIMLER, I.**, 1151 Walton Avenue, New York City.

**SACK, M. L.**, formerly doing business at 552 Main Street, Beacon, N. Y.

**SCHEININ, L.**, 454 Third Avenue, New York City.

**SEAGALE, MARK M.**, formerly at 1011 Chestnut Street, Philadelphia, Pa. Now reported to have moved to Camden or Atlantic City, N. J.

**SEGELBAUM, MRS. IDA**, formerly of 1895 Andrews Avenue, New York City.

**SMITH, FRANK INGRAM**, Eastern Distributor for the Clean Rite Auto Laundry Company, 1710 East 75th Street, Chicago, Ill., with headquarters at Turks Head Building, Providence, R. I. with 200+ branches at Boston and Philadelphia.

**SQUIRES, R. J.**, formerly of the Dixie Laboratories, Inc., at Atlanta, Georgia.

**STARK, C. J.**, operated the Erie China Company, at Erie, Pa.

**STICKEL, E. S.**, formerly of 509 East Locust Street, Bloomington, Ill., and later at Miami, Florida, St. Louis, Mo., and Buffalo, N. Y.

**TILLET, GEO.**, formerly located at 718 East 11th Street, New York City.

**WALKER, R. G.**, Southern Retail Merchants, 52 Vanderbilt Avenue, New York City.

**WEEKS, FRANK M.**, employed by an office supply house, in New York City.

**WEINSTEIN, I.**, formerly doing business at 1260 S. Union Avenue, Chicago, Illinois.

**WILCO PRODUCTS COMPANY**, 1081 Myrtle Avenue, Brooklyn, N. Y.

**YOUNG, H. T. COMPANY**, recently located at 1342 West Somerset Street, Philadelphia, Pa.

Nationalize Your Credits

# Credit Insurance

EVERY manufacturer or wholesaler selling goods on credit accepts a risk; he cannot escape it. Nor can he avoid the trials accompanying the collection of debts due him.

But, by employing an experienced credit man, he can control intelligently the extension of credit so as to reduce his risk, and by purchasing a National Policy of Credit Insurance he can make provision against untoward losses and collection troubles.

Under this policy, the World's Largest Surety Company not only guarantees to pay, in money, his covered losses beyond the agreed normal but extends a service designed to lessen his care and risk. There is nothing so strong, or so safe, in any emergency of credits and collections as the National's Policy of Credit Insurance.

Write for Details of Our Credit Insurance

## National Surety Company

Wm. B. Joyce, Chairman

E. A. St. John, President

E. M. Tracy, Vice-President

115 Broadway, New York

Agencies in All Principal Cities

### Information Wanted

Members having had dealing with M. O. CLINTON, representing himself as a buyer for the Chase Merchantile Company, Pontiac, Michigan, and residing at 546 Drexel Boulevard, Pontiac, Michigan, will please get in touch with this office.

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## Lectures on Thrift

(Continued from page 32)

resources. I will not buy luxuries while I can pay for necessities only. I will fit my living to my purse. I will economize, and then capitalize my economies.

5. I will guard against waste. I will not waste money by hoarding it at home or in my pocket. I will conserve my health. I will get the habit of redeeming waste and turning it into capital.
6. I will cultivate the habit of industry. I will prepare myself for the job higher up. I will turn a portion of my daily mental and physical labor into permanent capital.
7. I will go into debt wisely. I will incur no debts unless I am sure of the money to pay for them. I will hold instalment buying within bounds. I will consider a debt a sacred obligation. I will use credit only for legitimate gain. I will make a monthly statement of my assets and liabilities. I will establish my credit at my bank.
8. I will cultivate relations with my bank. I will give faithful attention to my savings account. I will get a good understanding of bank aims.
9. I will use saved capital for profit. I will never speculate. I will observe the rules of safe investment and consult my banker before investing. I will get compound interest on my investments by banking the principal.
10. I will make an intelligent study of methods of helping my Independence after acquiring it. I will take prudent steps for conserving my property for the benefit of my loved ones, should I be taken away. I will insure my life.

Association Secretary Manager  
Wanted

A local association of Credit Men of more than 250 members has vacancy in position of Secretary and Adjustment Bureau Manager. Services of capable man required. Correspondence invited giving full details of qualification. Address "Confidential," the Credit Monthly, One Park Avenue, New York.

Pres. H. E. Wilkins of the  
Nat'l. Elect. Credit Assn.  
Re-elected

A paper on instalment selling by Frank Watts was one of the features of the 28th Annual Convention of the National Electrical Credit Association, held in New York, May 20-21. According to T. J. Whearty, of the National Carbon Company, Long Island City, President of the N. Y. Electrical Credit Association, Mr. Watts' talk was an able one and was very favorably commented upon.

Mr. Watts described the benefits which had been derived and were being derived from instalment selling, and at the same time pointed out how abuses may occur in this method of merchandising.

Francis H. Sisson, Vice-President of the Guaranty Trust Company, of New York, spoke on the general conditions confronting business, and declared that good business could be looked for in the next six months, although profits might be somewhat cut down.

The following officers were re-elected



### *Yours — the burden of proof*

New business—the result of sales activity, requires of you a decision of much consequence to your house. Your necessary caution may decline credit to a firm susceptible of development into a worth while account.

FIRST make sure that the applicant for credit is fully insured by a company equal to meeting any demand.

JANUARY 1st, 1926

Assets as of January 1st, 1926	\$67,922,096.58
Capital	3,500,000.00
Surplus	24,161,943.85
All other liabilities	40,260,152.73

### Globe & Rutgers Fire Insurance Company

111 William Street  
New York

## OFFICERS

E. C. Jameson, President

Lyman Candee, Vice-President	W. H. Paulison, Vice-Pres.
J. H. Mulvehill, Vice Pres. & Sec.	J. D. Lester, Vice-Pres.
W. L. Lindsay, Secretary	A. H. Witthohn, Secretary
A. G. Cassin, Assist. Secretary	M. J. Volkmann, Local Sec.

for the ensuing year: President, H. E. Wilkins; Vice-President, Frank P. Bell; Secretary-Treasurer, Frederick P. Vose, and Asst. Secretary-Treasurer, Walter S. Vose.

### The Retail Credit Men and the N. A. C. M.

Far-reaching plans for co-operation between the Retail Credit Men's National Association and the National Association of Credit Men were formulated at a long conference held in New York City during the Thirty-first Annual Convention of the National Association of Credit Men. The Retail Credit Men's Committee on Co-operation had lunch with the officers of the National Association of Credit Men, and the luncheon was ad-

dressed by Secretary of Agriculture Jardine.

The representatives of the Retail organization were: D. J. Woodlock, Secretary of Retail Credit Men's National Association; E. B. Heller, Vice-President of the Retail Credit Men's National Association; J. R. Hewitt, The Hub, Baltimore, Md.; Irving C. Brown, L. Bamberg & Co., Newark, N. J.; L. T. McMahon, Wm. Filene's Sons Co., Boston, Mass.; LeRoy T. Pease, Ovington Bros. Co., New York; Wm. F. Powell, Oppenheim, Collins & Co., New York; J. H. Edgerton, James McCreery & Co., New York; Edward Manahan, Manahan's, Boston, Mass.; J. M. Connolly, Reference Clearance Bureau, New York; and W. H. J. Taylor, Franklin Simon & Co., New York.

# Directory of Officers

## National Association of Credit Men--Branches

National Office	Central Division Manager	Western Division Manager
One Park Avenue New York, N. Y.	E. B. Moran 936 First National Bank Bldg. Chicago, Ill.	B. B. Tregoe 605 Wells Fargo Bldg. San Francisco, Cal.

### Note: A. C. M. Means Association of Credit Men.

ALABAMA, Birmingham—Birmingham A. C. M. Pres., T. M. Nesbitt, Moore Handley Hdw. Co.; Sec.-Mgr., R. H. Eggleston, Lincoln Reserve Life Bldg.

ALABAMA—Mobile—Mobile A. C. M. Pres., Burgess Little, Dunlap Dry goods Co.; Sec., J. G. Goodman, 415-416 State Office Bldg.

ALABAMA, Montgomery—Montgomery A. C. M. Pres., Lowery H. Hall, Durr Drug Co.; Sec., J. M. Holloway, 419 Shepherd Bldg.; Asst. Sec., Arthur Walker.

ALABAMA, Selma—Selma A. C. M. Pres., Bruce Beveridge, Central Alabama D. G. Co.; Sec., A. H. Mitchell, White Implement Co.

ARKANSAS, Fort Smith—Fort Smith A. C. M. Pres., Chas. H. Taylor, N. J. Echo, Whise, Gro. Co.; Sec., J. R. Purdon, Ft. Smith Coffee Co.; Asst. Sec., Mrs. E. M. Brodgon, 313 Merchants' Bank Bldg.

ARKANSAS, Little Rock—Little Rock A. C. M. Pres., J. C. Hodges, Hessig Ellis Drug Co.; Sec., J. D. Simpson, L. R. Tent & Awning Co.; Asst. Sec., Miss A. Brooks-Gardner, 239 Hall Bldg.

CALIFORNIA, Los Angeles—Los Angeles A. C. M. Pres., E. L. Ide, Kellaway-Ide Co.; Sec., S. P. Chase, 111 West 7th St.; Asst. Sec., Anna L. Robins.

CALIFORNIA, Oakland—Oakland A. C. M. Pres., Harry J. Harding, The Oakland Bank; Sec., Fred Train, Central National Bank.

CALIFORNIA, San Diego—Credit Association of San Diego, Pres., C. C. Hasty, Zellerbach Paper Co.; Sec., Carl O. Retschoff, 573 Spreckles Bldg.

CALIFORNIA, San Francisco—San Francisco A. C. M. Pres., R. N. Carson, Carson Glove Co.; Sec., Felix S. Jefferies, 605 Wells Fargo Bldg.; Asst. Sec., D. G. Brown.

COLORADO, Denver—Denver A. C. M. Pres., E. H. Perkins, Perkins Epeneter Pickle Co.; Sec., C. O. Watson, General Elec. Co.; Asst. Sec., James B. McElvay, 414 Elmwood Bldg.

COLORADO, Pueblo—Pueblo A. C. M. Pres., E. J. Riley, Pueblo Flour Mills, Sec., W. H. Whipple, Henkel Duke Merc. Co.; Asst. Sec., F. L. Taylor, 747 Thatcher Bldg.

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CONNECTICUT, Hartford—Hartford A. C. M. Pres., E. S. Pierce, Pierce, Inc.; Sec., E. W. Vanderwarker, P. O. Box 925, Hartford.

CONNECTICUT, New Haven—New Haven A. C. M. Pres., G. Harrold Welch, New Haven Bank; Sec., E. J. McDonald, Seamless Rubber Co.

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ILLINOIS, Decatur—Decatur A. C. M. Pres., Cecil L. Walker, A. E. Staley Mfg. Co.; Sec., Fred W. Schaub, Review Ptg. & Stationery Co.; Bank of Decatur.

ILLINOIS, Galesburg—Galesburg A. C. M. Pres., James E. Marks, Weinberg Bros.; Sec., J. Willis Peterson, 518 Bank of Galesburg Bldg.

ILLINOIS, Peoria—Peoria A. C. M. Pres., Geo. H. Green, Keystone Steel & Wire Co.; Sec., H. F. Sehmer, 229 So. Jefferson Ave.

ILLINOIS, Quincy—Quincy A. C. M. Pres., A. T. Higgins, Reighard Higgins Mfg. Co.; Sec., Frank Rothgeb, Quincy Confectionery Co.

ILLINOIS, Springfield—Springfield A. C. M. Pres., Stanley S. Thayer, Capital City Paper Co.; Sec., Eda Mueller, Geo. A. Mueller Co.; Asst. Sec., Miss Louise Murphy, Chamber of Commerce Bldg.

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INDIANA, Indianapolis—Indianapolis A. C. M. Pres., E. C. Johnson, Acme-Evans Co.; Sec.-Mgr., V. L. Wright, 509 Evans Bank Bldg.

INDIANA, South Bend—South Bend A. C. M. Pres., Henry H. Heimann, Kawneer Mfg. Co., Niles, Mich.; Sec., G. W. Seybold, 412 J. M. S. Bldg.

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IOWA, Davenport—Davenport A. C. M. Pres., W. P. Peterson, Peterson Paper Co.; Sec., H. B. Betty, First Natl. Bank Bldg.

IOWA, Des Moines—Des Moines A. C. M. Pres., C. H. Gimar, L. H. Kurts Co.; Sec., Don E. Neiman, 818 Valley Natl. Bank Bldg.

IOWA, Ottumwa—Ottumwa A. C. M. Pres., Walter S. Monger, J. G. Hutchinson Co.; Sec., W. F. Grady, R. G. Dunn & Co.

IOWA, Sioux City—Inter-State A. C. M. Pres., H. H. Hamel, O. J. Moore Gro. Co.; Sec., L. S. Goldberg, Galinsky Bros. Co.; Asst. Sec., P. A. Lucey, P. O. Box 461.

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MARYLAND, Baltimore—Baltimore A. C. M. Pres., Geo. J. Clautice, Lyon, Conklin & Co.; Sec., Ira L. Morningstar, 301 West Redwood St.

MASSACHUSETTS, Boston—Boston Credit Men's Assn. Pres., Fred P. Kinney, Kinney Mfg. Co.; Sec., Herbert A. Whiting, 138 Federal St.

MASSACHUSETTS—Western Mass. A. C. M. Pres., Roe S. Clark, Package Mach'y Co., Springfield; Sec., A. E. Lange, W. E. Truesdell Co.; Field Sec., H. E. Morton, Offices, 443 Court Sq. Bldg., Springfield.

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MICHIGAN, Detroit—Detroit A. C. M. Pres., S. A. Commons, Buhl Maleable Co.; Sec., O. A. Montgomery, 2012 First National Bank Bldg.

MICHIGAN, Grand Rapids—Grand Rapids A. C. M. Pres., B. C. Saunders, Gallmeyer-Livingston Co., Sec., H. L. Boggs, 449-450 Houseman Bldg., Asst. Sec., Edw. DeGroot.

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MONTANA, Great Falls—Northern Montana A. C. M. Pres., F. E. Flaherty, Great Falls Paper Co.; Sec., P. S. Johnson; Mgr., C. L. Voelker, P. O. Box 1784.

MONTANA, Helena—Helena A. C. M. Pres., M. V. Wilson, Helena Hdw. Co.; Sec., A. M. Holter, Holter Hdw. Co.; Asst. Sec., P. G. Schroeder, 9 Pittsburgh Block.

NEBRASKA, Lincoln—Lincoln A. C. M. Pres., J. C. Bishop, Nebraska Buick Co.; Sec., Guy C. Harris, Schwartz Paper Co.

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NEW JERSEY, Newark—North Jersey A. C. M. Pres., A. C. Gibbons, Johnston & Murphy, G. A. Boyce, Mgr., 760 Broad St.

NEW JERSEY, Trenton—Trenton A. C. M. Pres., Lewis H. Lawton, Jonathon Bartley Crucible Co.; Sec., Lloyd A. Case, Essex Rubber Co.

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NEW YORK, Jamestown—Jamestown A. C. M. Pres., F. H. Isaacson, Art Metal Construction Co., Sec., D. F. Howe, Chamber of Commerce.

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NEW YORK, New York—New York Credit Men's Assn. Pres., Wm. H. Pouch, Concrete Steel Co.; Sec., W. W. Orr, 320 Broadway.

NEW YORK, Rochester—Rochester A. C. M. Pres., Freeman C. Allen, Eastman Kodak Co.; Sec., Ira D. Kingsbury, 205 Wilder Bldg.

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